



EMTHANJANI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2013

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council:

ST Sthonga	Mayor
MM Freddie	Speaker
WJ du Plessis	Member
AF Jaftha	Member
J Jood	Member
VG Jonas	Member
MC Kivedo	Member
M Malherbe	Member
GL Nkumbi	Member
GL Nyl	Member
HJ Rust	Member
B Swanepoel	Member
NS Thomas	Member
WA Witbooi	Member

Municipal Manager: I Visser

Chief Financial Officer: MF Manuel

Grading of Local Authority: Grade 2

Auditors: Auditor-General

Bankers: ABSA Bank Limited

Registered Office: 45 Voortrekker Street
De Aar
7000

Physical address: 45 Voortrekker Street
De Aar
7000

Postal address: PO Box 42
De Aar
7000

Telephone number: (053) 632 9100

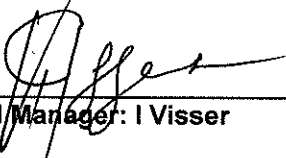
Fax number: (053) 631 0105

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages X to XX, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 32 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager: I Visser

30 August 2013

EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Emthanjeni Local Municipality at 30 June 2013.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122 (3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2013 indicates an increase in Net Assets, and an increase in both Non-current Liabilities and Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The increase in Current Liabilities is primarily as a result of the increase in Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2013	2012
Surplus / (Deficit) at the end of the Year	(50,345,645)	(55,864,772)
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	25.87%	22.18%
Remuneration of Councillors	1.69%	1.66%
Collection Costs	0.03%	0.00%
Depreciation and Amortisation	31.59%	33.35%
Impairment Losses	3.15%	8.24%
Repairs and Maintenance	5.51%	3.85%
Finance Costs	0.48%	0.62%
Bulk Purchases	17.77%	16.56%
Contracted Services	3.33%	4.22%
Grants and Subsidies Paid	0.14%	0.38%
General Expenses	9.13%	8.73%
Loss on Disposal of Property, Plant and Equipment	0.04%	0.02%
Loss on Sale of Land	1.25%	0.14%
Inventory Written-off	0.02%	0.03%
Current Ratio:		
Trade Creditors Days	30	30
Debtors from Exchange Transactions Days	210	181

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REPORT OF THE CHIEF FINANCIAL OFFICER

2.2 Performance Indicators:

INDICATOR	2013	2012
Borrowing Management:		
Capital Charges to Operating Expenditure	0.48%	0.62%
Capital Charges to Own Revenue	0.62%	0.85%
Borrowed Funding to Own Capital Expenditure	0.00%	0.00%
Borrowing to Total Capital Assets	0.00%	0.00%
Safety of Capital:		
Gearing	0.82%	0.99%
Liquidity:		
Current Ratio	3.67	3.58
Liquidity Ratio	1.03	1.54
Capital Expenditure Management:		
Capital Expenditure on Infrastructure to Total Capital Expenditure	85.66%	74.32%
Capital Funding from Borrowings to Capital Grants, Subsidies & Donations	0.00%	0.00%
Revenue Management:		
Debtors from Exchange Transactions Days	210	181
Outstanding Debtors to Revenue	33.56%	30.71%
Creditors Management:		
Creditors to Cash and Investments	59.51%	85.87%
Financial Viability:		
Debt Coverage	0.16	0.14
Outstanding Service Debtors to Revenue	33.56%	30.71%

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The services offered by Emthanjeni Local Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2013 are as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	1,086,274,562	1,142,139,334	-5%		
Operating income for the year	167,854,836	150,031,396	12%	166,341,198	1%
	1,254,129,398	1,292,170,730		-	
Expenditure:					
Operating expenditure for the year	218,200,481	205,896,168	6%	157,064,270	39%
Closing surplus / (deficit)	1,035,928,917	1,086,274,562	-5%		
	1,254,129,398	1,292,170,730			

EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	53,831,083	49,061,862	10%	47,255,485	14%
Expenditure	95,164,067	94,584,609	1%	81,339,456	17%
Surplus / (Deficit)	(41,332,984)	(45,522,747)		-	
Surplus / (Deficit) as % of total income	(76.78)%	(92.79)%		-	

Variance from 2011/12 actual:

No material fluctuations were identified.

Variance from 2012/13 budget:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	1,219,589	244,006	400%	19,102	6285%
Expenditure	4,842,947	4,006,883	21%	2,137,945	127%
Surplus / (Deficit)	(3,623,358)	(3,762,877)		(2,118,843)	
Surplus / (Deficit) as % of total income	(297.10)%	(1542.13)%		(11092.26)%	

Variance from 2011/12 actual:

The 400% increase on last year's actual revenue is primarily as a result of the Housing Accreditation Grant received which has been included in revenue. The 21% increase on last year's actual expenditure is primarily as a result of the Housing Projects undertaken by the Municipality.

Variance from 2012/13 budget:

The Housing Accreditation Grant was not budgeted for, resulting in the significant fluctuations. The increase is due to the Housing Projects undertaken by the Municipality.

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	28,208,577	24,722,347	14%	26,020,419	8%
Expenditure	18,700,069	20,099,953	-7%	14,868,312	26%
Surplus / (Deficit)	9,508,509	4,622,395		11,152,107	
Surplus / (Deficit) as % of total income	33.71%	18.70%		42.86%	

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REPORT OF THE CHIEF FINANCIAL OFFICER

Variance from 2011/12 actual:

The 14% increase on last year's actual revenue is primarily the result of additional services provided.

Variance from 2012/13 budget:

The 26% increase in the expenditure is directly related to the increase in the revenue obtained.

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R37 643 290 (2012: R33 173 974). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	52,672,634	56,661,717	-7%	74,675,636	-29%
Expenditure	74,675,636	54,105,665	38%	51,796,081	44%
Surplus / (Deficit)	(22,003,001)	2,556,051		22,879,555	
Surplus / (Deficit) as % of total income	(41.77)%	4.51%		30.64%	

Variance from 2011/12 actual:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

Variance from 2012/13 budget:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R11 411 (2011: R-93 725). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Income	29,105,012	19,007,830	53%	18,370,556	58%
Expenditure	21,999,822	32,765,426	-33%	6,922,476	218%
Surplus / (Deficit)	7,105,190	(13,757,596)		11,448,080	
Surplus / (Deficit) as % of total income	24.41%	(72.38)%		62.32%	

Variance from 2012/13 actual:

The increase of 53% is directly related to the revenue generated from The Britstown Bulk Water Project that was completed and used during the financial year.

Variance from 2012/13 budget:

The fluctuation is the result of additional depreciation allocated based on the completed and acquired capital goods in the current financial year. This includes the backlog depreciation which must be recognised and accounted for, but is not budgeted for.

EMTHANJENI LOCAL MUNICIPALITY

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for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R13 722 345 (2012: R18 516 990). Full details of Assets are disclosed in Notes 9, 10 and Appendices "B, C and E (4)" to the Annual Financial Statements.

The capital expenditure of R13 722 345 was financed as follows:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Percentage Variance %	Budgeted 2012/13 R	Variance actual/ budgeted %
Grants and Subsidies	12,240,588	13,252,107	-8%	16,141,000	-24%
Own Funds (Accumulated Surplus)	1,481,757	5,264,883	-72%	7,979,363	-81%
	13,722,345	18,516,990		24,120,363	

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2013	2012
Grants and Subsidies	89%	72%
Own Funds (Accumulated Surplus)	11%	28%
	100%	100%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2013
<i>Variance per Category:</i>	
Budgeted surplus before appropriations	9,278,273
Revenue variances	9,374,238
Expenditure variances:	
Employee related costs	(3,005,784)
Remuneration of councillors	(190,533)
Debt impairment	120,320
Depreciation & asset impairment	(61,001,341)
Finance charges	79,984
Bulk purchases	2,658,515
Other materials	(1,011,137)
Contracted services	(764,757)
Transfers and grants	(5,800,173)
Other expenditure	2,774,595
Inventory Written-off	(39,905)
Loss on Sale of Land	(2,731,709)
Loss on disposal of PPE	(86,230)
Actual surplus before appropriations	(50,345,645)

EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

DETAILS	2013
<i>Variance per Category:</i>	
Budgeted surplus before appropriations	9,982,233
Executive and Council	(7,710,456)
Budget and treasury office	5,972,808
Community and social services	1,710,747
Sport and recreation	568,915
Public safety	2,767,295
Housing	(1,504,515)
Health	(863,442)
Planning and development	(28,514,470)
Road transport	(3,642,748)
Electricity	(24,361,379)
Water	(4,326,036)
Waste management	(991,498)
Other	566,901
Actual surplus before appropriations	(50,345,645)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in the Budget Statement.

4.2 Capital Budget:

DETAILS	Actual 2012/13 R	Actual 2011/12 R	Variance actual R	Budgeted 2012/13 R	Variance actual/ budgeted R
Executive and Council	86,057	451,640	(365,583)	209,000	(574,583)
Finance and Administration	432,344	597,274	(164,930)	1,623,103	(1,788,033)
Planning and Development	5,307	59,945	(54,638)	18,900	(73,538)
Health	-	-	-	20,225	(20,225)
Community and Social Services	856,104	211,237	644,867	1,107,944	(463,077)
Housing	1,781	3,627,225	(3,625,444)	-	(3,625,444)
Public Safety	293,999	-	293,999	420,000	(126,001)
Sport and Recreation	41,775	-	41,775	94,944	(53,169)
Waste Management	-	283,339	(283,339)	5,852,000	(6,135,339)
Roads and Transport	1,942,768	9,578,652	(7,635,884)	3,461,393	(11,097,277)
Water	6,916,711	1,874,942	5,041,769	10,194,854	(5,153,085)
Electricity	3,145,499	1,832,736	1,312,763	412,200	900,563
	13,722,345	18,516,990	(4,794,645)	23,414,563	(28,209,208)

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 10% from budget, are included in the Budget Statement.

EMTHANJENI LOCAL MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended 30 June 2013****REPORT OF THE CHIEF FINANCIAL OFFICER****5. ACCUMULATED SURPLUS**

The balance of the Accumulated Surplus as at 30 June 2013 amounted to R1 035 928 917 (30 June 2012: R1 086 274 559) and is made up as follows:

Accumulated Surplus	1,035,928,917
	<u>1,035,928,917</u>

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 24 and the Statement of Change in Net Assets for more detail.

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2013 was R6 007 941 (30 June 2012: R8 510 509).

Refer to Note 21 and Appendix "A" for more detail.

7. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2013 was R28 838 662 (30 June 2012: R25 130 605).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 22 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R8 852 442 as at 30 June 2013 (30 June 2012: R5 073 126) and is made up as follows:

Provision for Long-term Service	2,933,312
Provision for Rehabilitation of Land-fill Sites	5,919,130
	<u>8,852,442</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 23 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R38 420 905 as at 30 June 2013 (30 June 2012: R36 636 928) and is made up as follows:

Consumer Deposits	Note 15	1,825,041
Provisions	Note 16	882,492
Payables from Exchange Transactions	Note 17	9,389,870
Payables from Non-exchange Transactions	Note 18	844,342
Unspent Conditional Grants and Receipts	Note 19	12,307,653
VAT Payable	Note 20	4,190,337
Bank Overdraft	Note 7	6,496,488
Current Portion of Long-term Liabilities	Note 21	2,484,682
		<u>38,420,905</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

EMTHANJENI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

REPORT OF THE CHIEF FINANCIAL OFFICER

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R971 261 240 as at 30 June 2013 (30 June 2012: R1 026 179 848).

Refer to Note 9 and Appendices "B and C" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R538 049 as at 30 June 2013 (30 June 2012: R1 062 346).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R5 004 000 as at 30 June 2013 (30 June 2012: R3 100 000).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 11 and Appendix "B" for more detail.

13. NON-CURRENT INVESTMENTS

The municipality held Investments to the value of R13 980 as at 30 June 2013 (30 June 2012: R10 940).

These investments comprise of OVK shares.

Refer to Note 13 for more detail.

14. LONG-TERM RECEIVABLES

Long-term Receivables of R1 164 at 30 June 2013 (30 June 2012: R1 164) is made up as follows:

Other Loans	1,164
	<u>1,164</u>
Less: Short-term portion included in Current Assets	-
	<u><u>1,164</u></u>

This loan is represented by the OVK loan.

Refer to Note 14 for more detail.

15. CURRENT ASSETS

Current Assets amounted R141 135 407 as at 30 June 2013 (30 June 2012: R131 153 802) and is made up as follows:

Inventories	Note 2	67,515,781
Non-current Assets Held-for-Sale	Note 3	71,732
Receivables from Exchange Transactions	Note 4	46,535,423
Receivables from Non-exchange Transactions	Note 5	9,790,381
VAT Receivable	Note 6	-
Cash and Cash Equivalents	Note 7	17,196,489
Current Portion of Operating Lease Receivables	Note 8	25,602
		<u><u>141,135,407</u></u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

EMTHANJENI LOCAL MUNICIPALITY

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REPORT OF THE CHIEF FINANCIAL OFFICER

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

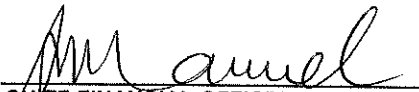
Refer to Notes 19 and 26, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 58.

15. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.



CHIEF FINANCIAL OFFICER

30 August 2013

EMTHANJENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

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EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
ASSETS			
Current Assets		141,135,407	131,153,802
Inventories	2	67,515,781	70,621,896
Non-current Assets Held-for-Sale	3	71,732	-
Receivables from Exchange Transactions	4	46,535,423	38,284,865
Receivables from Non-exchange Transactions	5	9,790,381	7,788,763
VAT Receivable	6	-	-
Cash and Cash Equivalents	7	17,196,489	14,379,346
Current Portion of Operating Lease Receivables	8	25,602	78,931
Non-Current Assets		976,913,455	1,030,474,921
Property, Plant and Equipment	9	971,261,240	1,026,179,848
Intangible Assets	10	538,049	1,062,346
Investment Property	11	5,004,000	3,100,000
Non-current Investments	13	13,980	10,940
Operating Lease Receivables	8	95,021	120,623
Long-term Receivables	14	1,164	1,164
Total Assets		1,118,048,862	1,161,628,722
LIABILITIES			
Current Liabilities		38,420,905	36,639,928
Consumer Deposits	15	1,825,041	1,781,959
Provisions	16	882,492	778,080
Payables from Exchange Transactions	17	9,389,870	11,254,814
Payables from Non-exchange Transactions	18	844,342	1,092,970
Unspent Conditional Grants and Receipts	19	12,307,653	11,954,427
VAT Payable	20	4,190,337	2,366,885
Bank Overdraft	7	6,496,488	5,154,118
Current Portion of Long-term Liabilities	21	2,484,682	2,256,675
Non-Current Liabilities		43,699,045	38,714,240
Long-term Liabilities	21	6,007,941	8,510,509
Retirement Benefit Liabilities	22	28,838,662	25,130,605
Non-current Provisions	23	8,852,442	5,073,126
Total Liabilities		82,119,950	75,354,168
Total Assets and Liabilities		1,035,928,912	1,086,274,555
NET ASSETS		1,035,928,914	1,086,274,559
Accumulated Surplus / (Deficit)	24	1,035,928,914	1,086,274,559
Total Net Assets		1,035,928,914	1,086,274,559

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

		Actual	
	Note	2013 R	2012 R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	25	17,220,134	14,337,195
Property Rates - Penalties imposed and collection charges	29	102,997	223,361
Fines		4,986,790	6,703,169
Licences and Permits		1,260,854	1,107,196
Government Grants and Subsidies Received	26	54,895,263	43,887,413
Revenue from Exchange Transactions			
Service Charges	27	80,205,072	75,918,566
Rental of Facilities and Equipment	28	946,889	587,101
Interest Earned - External Investments	29	1,594,930	585,044
Interest Earned - Outstanding Debtors	29	493,738	1,115,696
Other Revenue	30	4,241,129	5,563,393
Other Gains on Continued Operations	40	1,907,040	3,262
Total Revenue		167,854,836	150,031,396
EXPENDITURE			
Employee Related Costs	31	56,439,645	45,674,920
Remuneration of Councillors	32	3,693,580	3,421,246
Collection Costs		66,492	-
Depreciation and Amortisation	33	68,925,399	68,668,190
Impairment Losses	34	6,872,760	16,971,219
Repairs and Maintenance		12,028,232	7,919,543
Finance Costs	35	1,041,433	1,284,487
Bulk Purchases	36	38,781,485	34,105,602
Contracted Services	37	7,257,409	8,686,782
Grants and Subsidies Paid	38	304,870	788,172
General Expenses	39	19,931,330	17,981,505
Loss on Disposal of Property, Plant and Equipment		86,230	44,914
Loss on Sale of Land		2,731,709	288,719
Inventory Written-off		39,905	60,870
Total Expenditure		218,200,481	205,896,168
SURPLUS / (DEFICIT) FOR THE YEAR		(50,345,645)	(55,864,772)

Refer to Budget Statement for explanation of budget variances

EMTHANJENI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2013

Description	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R
2012		
Balance at 30 June 2011	919,832,244	919,832,244
Change in Accounting Policy (Note 41)	-	-
Correction of Error (Note 42)	222,307,090	222,307,090
Restated Balance	1,142,139,334	1,142,139,334
Surplus / (Deficit) for the year	(55,864,772)	(55,864,772)
Balance at 30 June 2012	1,086,274,562	1,086,274,562
2013		
Restated Balance	1,086,274,562	1,086,274,562
Surplus / (Deficit) for the year	(50,345,645)	(50,345,645)
Balance at 30 June 2013	1,035,928,917	1,035,928,917

Details on the movement of the Funds and Reserves are set out in Note 24.

EMTHANJENI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Actual 2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		14,494,785	13,715,416
Government Grant and Subsidies		55,248,489	53,516,450
Service Charges		65,982,268	62,812,289
Interest Received		1,594,930	585,044
Other Receipts		12,025,301	37,836,037
Payments			
Employee Related Costs		(51,982,324)	(46,404,031)
Remuneration of Councillors		(3,693,580)	(3,421,246)
Interest Paid		(1,041,433)	(1,284,487)
Suppliers Paid		(77,734,743)	(90,434,608)
Other Payments		2,543,768	(1,614,829)
NET CASH FLOWS FROM OPERATING ACTIVITIES	44	17,437,461	25,306,035
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(13,703,153)	(19,271,215)
Purchase of Intangible Assets	10	(63,909)	(25,609)
Proceeds on Disposal of Property, Plant and Equipment	9	-	1,226
Proceeds on Disposal of Investment Property	11	-	45,381
Other Movement of Property, Plant and Equipment	9	-	(7,141)
Decrease / (Increase) in Operating Lease Assets	8	78,931	44,179
Decrease / (Increase) in Long-term Receivables	14	-	42,401
NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,688,130)	(19,170,779)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	21	(2,274,561)	(2,050,435)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,274,561)	(2,050,435)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,474,770	4,084,821
Cash and Cash Equivalents at Beginning of Period	7	9,225,228	5,140,525
Cash and Cash Equivalents at End of Period	7	10,700,001	9,225,228

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	2012/2013								
	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	%	%
FINANCIAL POSITION									
Current Assets									
Inventories	40,849,636	-	-	40,849,636	67,515,781	-	26,666,145	165%	165%
Non-current Assets Held-for-Sale	-	-	-	-	71,732	-	71,732	0%	0%
Receivables from Exchange Transactions	11,747,852	-	-	11,747,852	46,535,423	-	34,787,571	396%	396%
Receivables from Non-exchange Transactions	7,924,000	-	-	7,924,000	9,790,381	-	1,866,381	124%	124%
VAT Receivable	-	-	-	-	-	-	-	0%	0%
Cash and Cash Equivalents	12,460,000	-	-	12,460,000	17,196,489	-	4,736,489	138%	138%
Operating Lease Receivables	-	-	-	-	25,602	-	25,602	0%	0%
Non-Current Assets									
Property, Plant and Equipment	823,141,529	-	-	823,141,529	971,261,240	-	148,119,711	118%	118%
Intangible Assets	1,060,000	-	-	1,060,000	538,049	-	(521,951)	51%	51%
Investment Property	4,272,000	-	-	4,272,000	5,004,000	-	732,000	117%	117%
Non-current Investments	-	-	-	-	13,980	-	13,980	0%	0%
Operating Lease Receivables	186,300	-	-	186,300	95,021	-	(91,279)	51%	51%
Long-term Receivables	-	-	-	-	1,164	-	1,164	0%	0%
Total Assets	901,641,317	-	-	901,641,317	1,118,048,862	-	216,407,545		
Current Liabilities									
Consumer Deposits	1,869,000	-	-	1,869,000	1,825,041	-	(43,959)	98%	98%
Provisions	1,896,000	-	-	1,896,000	882,492	-	(1,013,508)	47%	47%
Payables from Exchange Transactions	9,958,800	-	-	9,958,800	9,389,870	-	(568,930)	94%	94%
Payables from Non-exchange Transactions	-	-	-	-	844,342	-	844,342	0%	0%
Unspent Conditional Grants and Receipts	-	-	-	-	12,307,653	-	12,307,653	0%	0%
VAT Payable	-	-	-	-	4,190,337	-	4,190,337	0%	0%
Bank Overdraft	1,452,000	-	-	1,452,000	6,496,488	-	5,044,488	447%	447%
Current Portion of Long-term Liabilities	1,200,000	-	-	1,200,000	2,484,682	-	1,284,682	207%	207%
Non-Current Liabilities									
Long-term Liabilities	9,946,632	-	-	9,946,632	6,007,941	-	(3,938,691)	60%	60%
Retirement Benefit Liabilities	30,432,852	-	-	30,432,852	28,838,662	-	(1,594,190)	95%	95%
Non-current Provisions	-	-	-	-	8,852,442	-	8,852,442	0%	0%
Total Liabilities	56,755,284	-	-	56,755,284	82,119,950	-	25,364,666		
Total Assets and Liabilities	844,886,033	-	-	844,886,033	1,035,928,912	-	191,042,879		
Net Assets (Equity)									
Accumulated Surplus / (Deficit)	843,885,223	-	-	843,885,223	1,035,928,914	-	192,043,691	123%	123%
Total Net Assets	843,885,223	-	-	843,885,223	1,035,928,914	-	192,043,691		

EMTHANJENI LOCAL MUNICIPALITY

30 June 2013

Description	2012/2013								
	Original	Budget	Virement	Final	Actual	Unauthorised	Variance	Actual Outcome	Actual Outcome
	Total Budget	Adjustments		Budget	Outcome	Expenditure		as % of Final Budget	as % of Original Budget
	R	R	R	R	R	R	R	%	%
FINANCIAL PERFORMANCE									
Revenue from Non-exchange Transactions									
Property Rates	18,396,761	(508,878)	-	17,887,883	17,220,134	-	(667,749)	96%	94%
Property Rates - Penalties imposed and collection charges	-	-	-	-	102,997	-	102,997	0%	0%
Fines	7,025,473	-	-	7,025,473	4,986,790	-	(2,038,683)	71%	71%
Licences and Permits	1,160,319	-	-	1,160,319	1,260,854	-	100,535	109%	109%
Government Grants and Subsidies Received	39,306,000	-	-	39,306,000	54,895,263	-	15,589,263	140%	140%
Revenue from Exchange Transactions									
Service Charges	79,982,000	(4,826,000)	-	75,156,000	80,205,072	-	5,049,072	107%	100%
Rental of Facilities and Equipment	499,305	-	-	499,305	946,889	-	447,584	190%	190%
Interest Earned - External Investments	734,104	210,896	-	945,000	1,594,930	-	649,930	169%	217%
Interest Earned - Outstanding Debtors	741,126	-	-	741,126	493,738	-	(247,388)	67%	67%
Other Income	17,806,700	(2,147,758)	-	15,658,942	4,241,129	-	(11,417,813)	27%	24%
Other Gains on Continued Operations	-	-	-	-	1,907,040	-	1,907,040	0%	0%
Gains on Disposal of Property, Plant and Equipment	5,618	94,382	-	100,000	-	-	(100,000)	0%	0%
Profit on Sale of Land	-	-	-	-	-	-	-	0%	0%
Total Revenue	165,657,406	(7,177,358)	-	158,480,048	167,854,836	-	9,374,788		
Expenditure									
Employee Related Costs	53,433,861	-	-	53,433,861	56,439,645	-	3,005,784	106%	106%
Remuneration of Councillors	3,503,047	-	-	3,503,047	3,693,580	-	190,533	105%	105%
Collection Costs	-	-	-	-	66,492	-	66,492	0%	0%
Depreciation and Amortisation	7,924,058	-	-	7,924,058	68,925,399	-	61,001,341	870%	870%
Impairment Losses	8,217,088	(1,224,008)	-	6,993,080	6,872,760	-	(120,320)	98%	84%
Repairs and Maintenance	11,017,095	-	-	11,017,095	12,028,232	-	1,011,137	109%	109%
Finance Costs	1,121,417	-	-	1,121,417	1,041,433	-	(79,984)	93%	93%
Bulk Purchases	38,142,000	3,298,000	-	41,440,000	38,781,485	-	(2,658,515)	94%	102%
Contracted Services	6,989,484	(496,832)	-	6,492,652	7,257,409	-	764,757	112%	104%
Grants and Subsidies Paid	12,629,739	(1,917,549)	-	10,712,190	304,870	-	(10,407,320)	3%	2%
General Expenses	24,601,629	(1,895,704)	-	22,705,925	19,931,330	-	(2,774,595)	88%	81%
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	86,230	-	86,230	0%	0%
Loss on Sale of Land	-	-	-	-	2,731,709	-	2,731,709	0%	0%
Inventory Written-off	-	-	-	-	39,905	-	39,905	0%	0%
Total Expenditure	167,579,418	(2,236,093)	-	165,343,325	218,200,481	-	52,857,156		
Surplus/(Deficit)	(1,922,012)	(4,941,265)	-	(6,863,277)	(50,345,645)	-	(43,482,368)	734%	2619%
Transfers Recognised - Capital	16,141,000	-	-	16,141,000	-	-	(16,141,000)	0%	0%
Surplus/(Deficit for the Year)	14,218,988	(4,941,265)	-	9,277,723	(50,345,645)	-	(59,623,368)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	2012/2013								
	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	%	%
CAPITAL EXPENDITURE PER FUNCTION									
Executive and Council	209,000	-	-	209,000	86,057	-	(122,943)	41%	41%
Finance and Administration	1,295,911	(20,000)	-	1,275,911	432,344	-	(843,567)	34%	33%
Corporate Services	387,192	(40,000)	-	347,192	-	-	(347,192)	0%	0%
Planning and Development	18,900	-	-	18,900	5,307	-	(13,593)	28%	28%
Health	20,225	-	-	20,225	-	-	(20,225)	0%	0%
Community and Social Services	1,315,944	(208,000)	-	1,107,944	856,104	-	(251,840)	77%	65%
Housing	-	-	-	-	1,781	-	1,781	0%	0%
Public Safety	470,000	(50,000)	-	420,000	293,999	-	(126,001)	70%	63%
Sport and Recreation	94,944	-	-	94,944	41,775	-	(53,169)	44%	44%
Environmental Protection	-	-	-	-	-	-	-	0%	0%
Waste Management	5,852,000	-	-	5,852,000	-	-	(5,852,000)	0%	0%
Roads and Transport	3,461,393	-	-	3,461,393	1,969,078	-	(1,492,315)	57%	57%
Water	10,194,854	-	-	10,194,854	6,916,711	-	(3,278,143)	68%	68%
Electricity	800,000	(387,800)	-	412,200	3,163,905	-	2,751,705	768%	395%
Other	-	-	-	-	-	-	-	0%	0%
Total Sources of Capital Funds	24,120,363	(705,800)	-	23,414,563	13,767,061	-	(9,647,502)		
CASH FLOW									
Cash Flows from/(used in) Operating Activities									
Ratepayers and Other	119,277,310	-	-	119,277,310	91,893,814	-	(27,383,496)	77%	77%
Grants	54,452,000	-	-	54,452,000	55,504,172	-	1,052,172	102%	102%
Dividends Received	1,000	-	-	1,000	-	-	(1,000)	0%	0%
Interest Received	734,000	-	-	734,000	1,594,930	-	860,930	217%	217%
Suppliers and Employees	(129,788,000)	-	-	(129,788,000)	(130,464,794)	-	(676,794)	101%	101%
Interest Paid	(1,121,000)	-	-	(1,121,000)	(1,041,433)	-	79,567	93%	93%
Transfers and Grants	(12,805,000)	-	-	(12,805,000)	-	-	12,805,000	0%	0%
Cash Flows from/(used in) Investing Activities									
Purchase of Property, Plant and Equipment	(24,085,000)	-	-	(24,085,000)	(13,767,061)	-	10,317,939	57%	57%
Purchase of Intangible Assets	-	-	-	-	-	-	-	100%	100%
Purchase of Investment Property	-	-	-	-	-	-	-	100%	100%
Proceeds on Disposal of Property, Plant and Equipment	65,000	-	-	65,000	-	-	(65,000)	0%	0%
Proceeds on Disposal of Intangible Assets	-	-	-	-	-	-	-	100%	100%
Proceeds on Disposal of Investment Property	-	-	-	-	-	-	-	100%	100%
Profit on Sale of Land	-	-	-	-	-	-	-	100%	100%
Decrease / (Increase) in Non-current Investments	22,000	-	-	22,000	-	-	(22,000)	0%	0%
Decrease / (Increase) in Operating Lease Assets	-	-	-	-	78,931	-	78,931	0%	0%
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	-	100%	100%
Cash Flows from/(used in) Financing Activities									
New Loans raised	-	-	-	-	-	-	-	100%	100%
Loans repaid	(2,350,000)	-	-	(2,350,000)	(2,274,561)	-	75,439	97%	97%
Increase / (Decrease) in Consumer Deposits	105,000	-	-	105,000	43,082	-	(61,918)	41%	41%
Cash and Cash Equivalents at End of the Year	4,507,310	-	-	4,507,310	1,567,082	-	(2,940,228)		

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Description	2012/2013								
	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	%	%
Financial Position: Explanation of Variances between Approved Budget and Actual									
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:									
Inventories:									
More stores were procured and water stock levels increased during the financial year. In addition to this, management did a full land audit between the financial records and the title deeds and accounted for all land parcels available for sale, resulting in a significant increase.									
Non-current Assets Held-for-Sale:									
No assets were disposed off during the year. At yearend, movable assets were identified that should be disposed off and steps were taken to dispose of these assets after yearend.									
Receivables from Exchange Transactions:									
Management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient provision for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt. This provision includes all Indigent Debtors.									
Receivables from Non-exchange Transactions:									
Management is attempting to enforce the Debt and Credit Collection Policy, resulting a significant lower budgeted amount. The results were however not obtained. The increase however remains consistent with that of the previous year and a sufficient provision for doubtful debt was provided for all doubtful consumer debtors, excluding Government Debt. This provision includes all Indigent Debtors.									
Cash and Cash Equivalents:									
Cash control and management by the Finance Department and all managers resulted in the significant increase. Management ensures that sufficient cash is available to cover all short term debt, as well as unspent conditional grants that may exist at yearend.									
Operating Lease Receivables:									
This movement represents an accounting entry, as required by GRAP 13: <i>Leases</i> , and was not budgeted for.									
Property, Plant and Equipment:									
WIP projects were completed and capitalised during the current financial year. The condition assessment of the Property, Plant and Equipment as had an impact increase.									
Intangible Assets:									
Due to the amortisation expense during the year. The financial systems used by the Municipality represents a significant portion of the balance and the amortisation expense was higher than expected.									
Investment Property:									
Due to the fair value adjustment, as Investment Property is carried at fair value, which was higher than expected.									
Non-current Investments:									
The Municipality has shares in OVK. These shares were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.									
Long-term Receivables:									
Loan (receivable) accounts at OVK. These loans were obtained and not acquired and does not form part of the operations. Therefore, no movement or balance was budgeted for.									
Consumer Deposits:									
No material fluctuation.									
Provisions:									
The short term portion of the Retirement Benefit Liability was significant less than budgeted for. The valuation of this obligation is done by actuaries as required by IAS 19: <i>Employee Benefits</i> .									
Payables:									
Creditors are paid within the legislative 30 day timeframe, which resulted in the immaterial fluctuation.									
Unspent Conditional Grants and Receipts:									
Management anticipated all grant funding to be used for the specific purpose assigned. At yearend however, unspent MIG funding was still available which will be used for capital projects in the next financial year. The Municipality is also constructed the electricity line for the new hospital, which has not been finished and the unspent portion remains as unspent.									
VAT Payable:									
As the Municipality is on a the cash-basis for VAT purposes, no budget allocation was made for the levies made but not yet received. All VAT returns have been submitted and at yearend, SARS owed the Municipality refunds.									
Bank Overdraft:									
At yearend, the Municipality paid the Eskom bulk electricity account which had a significant impact on the primary bank account. There are however sufficient funds to ensure the Municipality can cover this debt and continue to provide services and pay other creditors. Refer to the Cash and Cash Equivalents increase recorded.									
Current Portion of Long-term Liabilities:									
Please refer to the explanation provided under the "Long-term Liabilities".									
Long-term Liabilities:									
Management is repaying the Long-term Liabilities quicker than anticipated. Management did not default on any loan payment and have controls in place to ensure these obligations are settled within the agreed period.									
Retirement Benefit Liabilities:									
No material fluctuation.									

EMTHANJENI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

30 June 2013

Description	2012/2013								
	Original Total Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	%	%
Non-current Provisions:									
An unexpected increase in the Provision for Landfill Sites resulted in the material fluctuation. The Municipality furthermore has an unbudgeted liability for Long Service Awards, as prescribed by the regulations.									
Reserves:									
The existence of the Reserves were inspected and found to be a prior period error. The necessary correction was made in the Annual Financial Statements and disclosed in Note 41.									
Accumulated Surplus / (Deficit):									
Due to the errors identified during the financial year and the retrospective adjustment thereof.									
Financial Performance: Explanation of Variances between Approved Budget and Actual									
For reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance, are as follow:									
Property Rates - Penalties imposed and collection charges									
The Property Rates - Penalties is budgeted for with Interest Received. The current classification in the Annual Financial Statements is a GRAP requirement and has therefore been split as such.									
Fines									
The DPP withdrew the approval certificate for TVS to operate the speed cameras, resulting in the significant decrease in comparison to Management's expectations.									
Government Grants and Subsidies Received									
The conditions of the restricted conditional grants were met, resulting in the transfer thereof to revenue. This is supported by the increase in the Property, Plant and Equipment balance.									
Rental of Facilities and Equipment									
The Municipality is leasing a property to Mainstream for operational purposes. Although the lease has not been concluded, the company has occupied the property and has paid for the rental thereof.									
Interest Earned (all financial statement line items)									
Improved cash management and diversification of available cash. This is supported in the increase in the Cash and Cash Equivalents balance.									
Other Income:									
In the previous financial year, preliminary figures showed a decrease in the provision for doubtful debt (reversal). This was taken into account (supported by the budgeted amount in the Receivables). This did however not realise and resulted in the material fluctuation. Furthermore, the revenue generated from prepaid electricity has been correctly classified.									
Other Gains on Continued Operations									
Due to the fair value adjustment made to Investment Property and Non-current Investments which were not anticipated and budgeted for.									
Gains on Disposal of Property, Plant and Equipment									
No assets were sold during the year (please see Non-current Assets-held-for-Sale).									
Collection Costs									
A contract was concluded with an supplier to recover outstanding debt. The amount was however budgeted for under Contracted Services.									
Depreciation and Amortisation									
Due to the gross depreciation effect. The budget reflects the net gross depreciation. The backlog Depreciation is specifically excluded from the budgeted figure.									
Grants and Subsidies Paid									
The budgeted figure includes all capital expenditure, which has been reclassified to the correct financial statement line items.									
Loss on Disposal of Property, Plant and Equipment									
A number of assets could not be verified during the asset verification and was therefore written-off.									
Loss on Sale of Land									
The Municipality conducted a full land audit (please see the explanation included in the Inventory line item). During the year significant transfers occurred as part of the Housing Projects that resulted in the unforeseen loss.									
Inventory Written-off									
The amount written-off is immaterial and therefore management did not budget for it. This decrease in the loss from previous financial years is the result of better controls implemented at the stores.									
Capital Expenditure: Explanation of Variances between Approved Budget and Actual									
Management expected that more capital projects would be conducted and completed during the year (this is supported by the fluctuation identified in the Unspent Conditional Grants). Due to unforeseen circumstances, projects were not completed resulting in the significant decrease.									
Cash Flow: Explanation of Variances between Approved Budget and Actual									
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:									
Debt collection did not have the desired results, which resulted in the fluctuation. This is supported by the fluctuations identified in the Statement of Financial Performance and Position.									

EMTHANJENI LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1. 1 CHANGES IN ACCOUNTING POLICY AND COMPARABILITY

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the following instances:

- (a) is required by a Standard of GRAP; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 2. 1 Revenue Recognition

Accounting Policy 10.2 on *Revenue from Exchange Transactions* and Accounting Policy 10.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from non-exchange transactions. In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2. 2 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. Accounting Policy 6.1 on *Financial Assets Classification* and Accounting Policy 6.2 on *Financial Liabilities Classification* describe the factors and criteria considered by the management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104: *Financial Instruments*.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 3 *Impairment of Financial Assets*

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments* and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors. The total increase in estimation of the impairment of trade and other receivables from exchange transactions amounted to R6 731 726 and that of trade and other receivable from non exchange transactions to R859 056.

1. 2. 4 *Useful lives of Property, Plant and Equipment, Intangible assets and Investment property*

As described in Accounting Policies 3.3, 4 and 5 the municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1. 2. 5 *Impairment: Write down of Property, Plant and Equipment, Investment property, Intangible assets, Heritage assets and Inventories*

Accounting Policy 3.9 on *PPE - Impairment of assets* and Accounting Policy 4.2 on *Intangible assets - Subsequent Measurement, Amortisation and Impairment* and Accounting Policy 8.2 on *Inventory - Subsequent measurement* describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21: *Impairment of Cash generating Assets* and GRAP 26: *Impairment of non-Cash generating Assets*. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management. During the year the estimated impairments to Property, plant and equipment amounted to R126 604, whilst no impairments were made to intangible assets or inventory.

1. 2. 6 *Water inventory*

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Note 10.2 of the accounting policy to the Annual Financial Statements.

1. 2. 7 *Defined Benefit Plan Liabilities*

As described in Accounting Policy 13, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 2 CRITICAL JUDGEMENTS, ESTIMATIONS AND ASSUMPTIONS (continued)

1. 2. 8 Provisions and contingent liabilities

Provision for Rehabilitation of Refuse Landfill Sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the net present value of cost. The cost factors as determined have been applied and projected at an inflation rate of 5% (2012: 5.5%) and discounted to the present value:

- a) For landfill sites with a remaining operating life of less than 5 years, at the average short term borrowing cost of 11.14% (2012: 11.3475%).
- b) For landfill sites with a remaining operating life of greater than 5 years, at the average long-term treasury bond rate 4.09% (2012: 11.3475%).

1. 2. 9 Budget information

Deviations between budget and actual amounts are regarded as material differences when a 5% deviation exists. All material differences are explained in the notes to the annual financial statements

1. 3 PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand, which is the municipality's functional currency.

1. 4 GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

1. 5 OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 105 Transfers between entities under common control - issued November 2010
- GRAP 106 Transfers between entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010

The Minister of Finance announced that the application of GRAP 21, GRAP 23, GRAP 24, GRAP 26, GRAP 103 and GRAP 104 will be effective for period starting after 1 April 2012. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5 paragraph 29 sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy, as set out in the standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The Municipality applied the principles established in the following Standards of GRAP that have been issued, but is not yet in effect, in developing an appropriate accounting policies dealing with the following transactions, but have not early adopted these Standards:

- Impairment of Non-cash-generating Assets (GRAP 21 - issued March 2009)
- Impairment of Cash-generating Assets (GRAP 26 - issued March 2009)
- Revenue from Non-Exchange Transactions (GRAP 23 - issued February 2008)
- Financial Instruments (GRAP 104 Financial Instruments - October 2009)

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION (continued)

1. 6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

GRAP 18 - Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management. Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

Requires additional disclosures on the various segments of the business in a manner that is consistent with the information reported internally to management of the entity. The precise impact of this on the financial statements of the Municipality is still being assessed but it is expected that this will only result in additional disclosures without affecting the underlying accounting. This standard does not yet have an effective date.

GRAP 20 – Related party disclosures

The effective date of the standard has not been determined yet. The standard of GRAP on related parties will replace the IPSAS 20 standard on related party disclosure currently used. No significant impact on the financial statements of the Municipality is expected.

GRAP 25 – Employee Benefits

This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected. This standard does not yet have an effective date.

GRAP 105 – Transfer of Function Between Entities Under common Control

This standard provides the accounting treatment for transfers of functions between entities under common control. However the impact on the Municipality's financial statements is not expected to be significant due to the fact that the Municipality rarely enters into such transactions. The standard is only expected to have an impact on the Municipality in respect of any future transfers of functions. This standard does not yet have an effective date.

GRAP 106 – Transfer of Function Between Entities Not Under common Control

This standard deals with other transfers of functions (i.e. between entities not under common control) and requires the entity to measure transferred assets and liabilities at fair value. It is unlikely that the Municipality will enter into any such transactions in the near future. This standard does not yet have an effective date.

GRAP 107 – Mergers

This standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the Municipality in the foreseeable future. This standard does not yet have an effective date.

2. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

2. 1. 1 Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
 - The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
 - Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
 - If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance, and is then transferred via the Statement of Changes in Net Assets to the CRR, provided that it is cash backed.
- Profit on the sale of land is not transferred to the CRR, as it is regarded as revenue.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT

3. 1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3. 2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost, less accumulated depreciation and accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

When revalued assets are sold or retired, the amounts included in the revaluation reserve in respect of that assets, are transferred to accumulated surplus or deficit.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3. 3 Depreciation

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

3. PROPERTY, PLANT AND EQUIPMENT (continued)

3. 3 Depreciation (continued)

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
Infrastructure		Buildings	30 - 100
Roads and Paving	45 - 50		
Electricity	45 - 50	Other	
Water	15 - 100	Specialist Vehicles	5 - 20
Sewerage	15 - 100	Other Vehicles	5 - 10
Landfill Sites	10 - 65	Office Equipment	3 - 7
		Furniture and Fittings	7 - 10
Community		Watercraft	15
Recreational Facilities	15 - 60	Bins and Containers	5
Security	5	Specialised Plant and Equipment	10 - 15
		Other items of Plant and Equipment	2 - 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

3. 4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3. 5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3. 6 Land

Land is not depreciated as it is deemed to have an indefinite useful life.

3. 7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. 8 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

EMTHANJENI LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

4. HERITAGE ASSETS

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

4. 1 Initial Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

4. 2 Subsequent Measurement

Subsequent expenditure relating to heritage assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all heritage assets are measured at cost, less accumulated impairment losses. Heritage assets are not depreciated.

4. 3 Derecognition of Heritage assets

The carrying amount of an item of heritage assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of heritage assets is included in surplus or deficit when the item is derecognised.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of heritage assets.

Transitional provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 year for the measurement of heritage assets.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. INTANGIBLE ASSETS

5. 1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21 / GRAP 26.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

5. 2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives (when the intangible asset is available for use), which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test. The useful lives per category of intangible assets are detailed below:

	Years
<i>Intangible asset</i>	
Software	3

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

5. INTANGIBLE ASSETS (continued)

5. 3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transitional provisions

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2011 (and retrospectively where practicable) in accordance with the requirements of GRAP 102, GRAP 3 and ASB Directive 4.

6. INVESTMENT PROPERTY

6. 1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

6. 2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation (1 July 2013). Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the period in which it arises.

6. 3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal

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7. IMPAIRMENT OF ASSETS

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

7. 1. Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset"

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

7. 2 Impairment of Non-Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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7. IMPAIRMENT OF ASSETS (continued)

7. 2 Impairment of Non-Cash generating assets (continued)

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either financial assets, financial liabilities or residual interests in accordance with the substance of the contractual agreement. The municipality only recognises a financial instrument when it becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are recognised on the entity's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument

The Entity does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methods and assumptions

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on current bid prices.

If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The effective interest rate method

Amortised cost

8. 1 Financial Assets - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Financial asset at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Financial asset at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Financial assets measured at fair value are financial assets that meet either of the following conditions:

- (a) derivatives;
- (b) combined instruments that are designated at fair value
- (c) instruments held for trading.
- (d) non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
- (e) financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Financial assets measured at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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8. FINANCIAL INSTRUMENTS (continued)

8. 1 Financial Assets - Classification (continued)

The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial asset at amortised cost
Bank Balances and Cash	Financial asset at amortised cost
Long-term Receivables	Financial asset at amortised cost
Consumer Debtors	Financial asset at amortised cost
Other Debtors	Financial asset at amortised cost
Investments in Fixed Deposits	Financial asset at amortised cost

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: Financial asset at amortised cost.

8. 2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Financial liabilities measured at fair value or
- (ii) Financial liabilities measured at amortised cost
- (iii) Financial liabilities measured at cost

The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Type of Financial Liabilities	Classification in terms of GRAP 104
Long term Liabilities	Financial liability at amortised cost
Other Creditors	Financial liability at amortised cost
Bank overdraft	Financial liability at amortised cost
Short-term Loans	Financial liability at amortised cost
Current portion of Long-Term Liabilities	Financial liability at amortised cost

Financial liabilities that are measured at fair value financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

8. 3 Initial and Subsequent Measurement

8. 3. 1 Financial Assets:

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

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8. FINANCIAL INSTRUMENTS (continued)

8. 3 Initial and Subsequent Measurement (continued)

8. 3. 2 Financial Liabilities:

Financial liabilities measured at fair value

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities measured at amortised cost

Any other financial liabilities are classified as "Other financial liabilities" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

8. 4 Impairment of Financial Assets

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Impairment of Financial Assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

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8. FINANCIAL INSTRUMENTS (continued)

8. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

8. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9. 1 Initial Recognition

Inventories comprise current assets held for sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9. 2 Subsequent Measurement

Consumable stores, raw materials, work-in-progress and finished goods

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that an entity expects to realise from the sale on inventory in the ordinary course of business). In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Unsold properties

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

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9. INVENTORIES (continued)

9. 2 Subsequent Measurement (continued)

Redundant and slow-moving inventories

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10. 1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

10. 2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

11. REVENUE RECOGNITION

11. 1 General

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue is recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits can be measured reliably, except when specifically stated otherwise.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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11. REVENUE RECOGNITION (continued)

11. 2 Revenue from Exchange Transactions

11. 2. 1 Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are normally read on a monthly basis and are recognised as revenue when invoiced. Where meters are not read monthly, provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11. 2. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale.

11. 2. 3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

11. 2. 4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11. 2. 5 Income from Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

11. 2. 6 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11. 2. 7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

11. 2. 8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions

An inflow of resources from a non-exchange transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a non-exchange transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11. 3. 1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11. 3. 2 Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the entity and the amount of the revenue can be measured reliably.

Fines consist of spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

An estimate is made for revenue from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue is recognised when the public prosecutor pays the cash collected over to the entity.

11. 3. 3 Public contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired in non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

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11. REVENUE RECOGNITION (continued)

11. 3 Revenue from Non-exchange Transactions (continued)

11. 3. 4 Government Grants and receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

Conditional Grants and receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11. 3. 5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

12. PROVISIONS

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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13. EMPLOYEE BENEFITS

13. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13. 2 Post employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post employment plans.

13. 2 1 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

13. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

13. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13. EMPLOYEE BENEFITS

13. 3 Defined Benefit Plans (continued)

13. 3. 3 *Provincially-administered Defined Benefit Plans*

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 52 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

13. 3. 4 *Defined benefit pension plans*

The municipality has an obligation to provide Post-retirement pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The Entity contributes monthly to the funds.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are accounted for using the "corridor method". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

14. LEASES

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

14. 1 The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

14. LEASES (continued)

14. 1 The Municipality as Lessee (continued)

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14. 2 The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. 3 Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

15. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2013 in accordance with the requirements of GRAP 5. To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period.

The municipality ceases to capitalise borrowing costs when substantially all the activities necessary to prepare the qualifying assets for its intended use has been completed. Where the construction of the qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, the entity shall cease capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part.

16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

17. VALUE ADDED TAX

The Municipality is registered with SARS for VAT on the payments basis, in accordance with Sec15(2)(a) of the Value-Added Tax Act No 89 of 1991.

EMTHANJENI LOCAL MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

22. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

EMTHANJENI LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

24. FOREIGN CURRENCIES

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

25. COMPARATIVE INFORMATION

25. 1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

25. 2 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. The annual budget figures included in the financial statements are for the Municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2012 to 30 June 2013.

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

EMTHANJENI LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

28. CAPITAL COMMITMENTS

Items are classified as commitments where the Municipality commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
1. GENERAL INFORMATION		
<p>Emthanjeni Local Municipality (the municipality) is a local government institution in De Aar, Britstown and Hanover, Northern Cape Province, and is one of eight local municipalities under the jurisdiction of the Pixley-ka-Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).</p>		
2. INVENTORIES		
Consumables Store	468,203	352,077
Property Stock	67,033,706	70,257,076
Water - at cost	13,872	12,744
Total Inventories	67,515,781	70,621,896

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R0.68 per kilolitre (2012: R0.61 per kilolitre).

Inventory to the value of R39 905 (2012: R60 870) was written off during the year.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

Other Assets Held-for-Sale - at cost	71,732	-
Total Non-current Assets Held-for-Sale	71,732	-
Liabilities associated with Non-current Assets Held-for-Sale	-	-
Net Non-current Assets Held-for-Sale	71,732	-

3.1 Other Assets Held-for-Sale

As described in Note 9, the municipality is seeking to dispose of certain other assets and anticipates that the disposal will be completed by 31 July 2013. The classes of assets classified as held-for-sale at the balance sheet date are as follows:

Other Assets	71,732	-
Net Other Assets classified as Held-for-Sale	71,732	-

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	78,269,831	(33,051,986)	45,217,845
Electricity	16,961,002	(4,732,895)	12,228,107
Refuse	9,113,114	(3,947,264)	5,165,851
Sewerage	18,182,030	(7,464,719)	10,717,311
Water	34,013,685	(16,907,108)	17,106,577
Other Receivables	2,269,593	(952,015)	1,317,578
Other Consumer Services	2,269,593	(952,015)	1,317,578
Total Receivables from Exchange Transactions	80,539,424	(34,004,001)	46,535,423

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R	
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)			
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Service Debtors:	63,788,350	(26,540,892)	37,247,458
Electricity	14,734,800	(4,314,978)	10,419,822
Refuse	7,213,350	(2,912,425)	4,300,924
Sewerage	14,651,556	(5,745,761)	8,905,796
Water	27,188,645	(13,567,728)	13,620,916
Other Receivables	1,768,790	(731,383)	1,037,407
Other Consumer Services	1,768,790	(731,383)	1,037,407
Total Receivables from Exchange Transactions	65,557,140	(27,272,274)	38,284,865

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratio's of the municipality's Receivables.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2013, the municipality is owed R3 822 032 (30 June 2012: R1 598 761) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Electricity:					
Gross Balances	3,921,325	1,342,803	454,902	11,241,972	16,961,002
Less: Provision for Impairment	(284,866)	(364,522)	(138,644)	(3,944,863)	(4,732,895)
Net Balances	3,636,459	978,281	316,258	7,297,109	12,228,107
Refuse:					
Gross Balances	370,250	477,988	228,492	8,036,384	9,113,114
Less: Provision for Impairment	24,066	(94,847)	(60,576)	(3,815,906)	(3,947,264)
Net Balances	394,316	383,141	167,916	4,220,478	5,165,851
Sewerage:					
Gross Balances	668,246	826,990	395,024	16,291,771	18,182,030
Less: Provision for Impairment	36,633	(163,326)	(102,816)	(7,235,210)	(7,464,719)
Net Balances	704,879	663,663	292,208	9,056,560	10,717,311
Water:					
Gross Balances	1,679,812	1,543,845	807,154	29,982,875	34,013,685
Less: Provision for Impairment	(280,639)	(652,356)	(383,762)	(15,590,351)	(16,907,108)
Net Balances	1,399,172	891,489	423,392	14,392,524	17,106,577

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Other Receivables:

Gross Balances	88,901	104,292	49,231	2,027,169	2,269,593
Less: Provision for Impairment	(18,371)	(37,222)	(19,505)	(876,917)	(952,015)
Net Balances	70,530	67,071	29,725	1,150,252	1,317,578

As at 30 June Receivables of R46 025 041 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	4,295,918	1,934,802	67,580,171	73,810,891
Less: Provision for Impairment	(1,312,274)	(705,302)	(31,463,247)	(33,480,823)
Net Balances	2,983,644	1,229,499	36,116,924	40,330,068

As at 30 June 2012

Current	Past Due			Total
0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	

Electricity:

Gross Balances	3,082,446	944,747	696,396	10,011,211	14,734,800
Less: Provision for Impairment	(295,365)	(216,568)	(160,923)	(3,642,122)	(4,314,978)
Net Balances	2,787,081	728,179	535,473	6,369,089	10,419,822

Refuse:

Gross Balances	295,669	241,304	215,002	6,461,374	7,213,350
Less: Provision for Impairment	47,254	(49,420)	(50,193)	(2,860,066)	(2,912,425)
Net Balances	342,923	191,884	164,809	3,601,308	4,300,924

Sewerage:

Gross Balances	550,951	414,772	370,399	13,315,434	14,651,556
Less: Provision for Impairment	63,868	(82,939)	(83,440)	(5,643,249)	(5,745,761)
Net Balances	614,819	331,833	286,959	7,672,185	8,905,796

Water:

Gross Balances	1,682,103	787,926	702,827	24,015,788	27,188,645
Less: Provision for Impairment	(245,488)	(314,935)	(324,807)	(12,682,499)	(13,567,728)
Net Balances	1,436,616	472,991	378,021	11,333,289	13,620,916

Other Receivables:

Gross Balances	87,187	52,519	125,197	1,503,886	1,768,790
Less: Provision for Impairment	(19,961)	(19,800)	(19,939)	(671,684)	(731,383)
Net Balances	67,226	32,720	105,258	832,203	1,037,407

As at 30 June Receivables of R33 036 200 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

All Receivables:

Gross Balances	2,441,269	2,109,821	55,307,693	59,858,783
Less: Provision for Impairment	(683,662)	(639,301)	(25,499,619)	(26,822,582)
Net Balances	1,757,607	1,470,520	29,808,074	33,036,200

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)				
4.2 Summary of Receivables from Exchange Transactions by Customer Classification				
	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	4,872,056	1,209,461	647,015	-
<u>Past Due:</u>				
31 - 60 Days	1,891,540	269,188	149,903	-
61 - 90 Days	1,667,573	202,183	115,533	-
+ 90 Days	64,176,879	2,428,512	2,909,581	-
Sub-total	72,608,049	4,109,343	3,822,032	-
Less: Provision for Impairment	(32,912,959)	(1,091,041)	-	-
Total Trade Receivables by Customer Classification	39,695,089	3,018,302	3,822,032	

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2012				
<i>Current:</i>				
0 - 30 days	3,950,497	1,468,171	279,688	-
<i>Past Due:</i>				
31 - 60 Days	1,834,620	436,464	170,185	-
61 - 90 Days	1,660,779	362,456	86,587	-
+ 90 Days	50,556,581	3,684,893	1,062,324	3,895
Sub-total	58,002,477	5,951,983	1,598,784	3,895
Less: Provision for Impairment	(25,690,072)	(1,582,202)	-	-
Total Trade Receivables by Customer Classification	32,312,405	4,369,781	1,598,784	3,895

4.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	(27,272,274)	(44,207,615)
Impairment Losses recognised	(6,731,726)	-
Impairment Losses reversed	-	16,935,340
Balance at end of year	(34,004,000)	(27,272,274)

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

Included in the municipality's Receivables balance are debtors with a carrying amount of R 46 025 041 (2012: R33 036 200) which are past due at the reporting date for which the municipality has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits (see Note 15), which are not covering the total outstanding debt.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits, which are not covering the total outstanding debt and vacant property respectively.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
4. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
4.4 Ageing of impaired Receivables from Exchange Transactions		
<i>Current:</i>		
0 - 30 Days	523,178	449,692
<i>Past Due:</i>		
31 - 60 Days	1,312,274	683,662
61 - 90 Days	705,302	639,301
+ 90 Days	31,463,247	25,499,619
Total	34,004,001	27,272,274

4.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	12,376,600	(3,229,774)	9,146,826
Sundry Deposits	109,610	-	109,610
Sundry Debtors	533,945	-	533,945
Total Receivables from Non-exchange Transactions	13,020,155	(3,229,774)	9,790,381
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Assessment Rates Debtors	8,689,198	(2,370,718)	6,318,480
Sundry Deposits	109,610	-	109,610
Sundry Debtors	1,360,673	-	1,360,673
Total Receivables from Non-exchange Transactions	10,159,481	(2,370,718)	7,788,763

Sundry Deposits are in respect of cash deposits amounting to R59 610 (2012: R59 610) made to fuel station for the supply of fuel and R50 000 (2012: R50 000) made to the S.A. Post Office for postal services.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The average credit period for Receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratio's of Other Debtors were also taken into account for fair value determination.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	689,206	403,983	150,135	11,136,753	12,380,077
Less: Provision for Impairment	(74,144)	(126,149)	(45,827)	(2,983,654)	(3,229,774)
Net Balances	615,062	277,834	104,308	8,153,099	9,150,303
Sundry Deposits:					
Gross Balances	-	-	-	109,610	109,610
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	109,610	109,610
Sundry Debtors:					
Gross Balances	-	-	-	533,945	533,945
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	533,945	533,945

As at 30 June Receivables of R9 178 796 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	403,983	150,135	11,780,309	12,334,426
Less: Provision for Impairment	(126,149)	(45,827)	(2,983,654)	(3,155,630)
Net Balances	68,339	77,955	2,041,285	9,178,796

As at 30 June 2012

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	628,456	193,265	162,003	7,705,473	8,689,197
Less: Provision for Impairment	(74,855)	(54,007)	(49,907)	(2,191,948)	(2,370,717)
Net Balances	553,601	139,258	112,096	5,513,525	6,318,480
Sundry Deposits:					
Gross Balances	-	-	-	109,610	109,610
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	109,610
Sundry Debtors:					
Gross Balances	-	-	-	1,360,673	1,360,673
Less: Provision for Impairment	-	-	-	-	-
Net Balances	-	-	-	-	1,360,673

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

As at 30 June Receivables of R5 821 679 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	193,265	162,003	9,175,756	8,117,541
Less: Provision for Impairment	(54,007)	(49,907)	(2,191,948)	(2,295,862)
Net Balances	139,258	112,096	6,983,808	5,821,679

5.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
<u>Current:</u>				
0 - 30 days	614,699	54,089	20,418	-
<u>Past Due:</u>				
31 - 60 Days	206,822	6,885	20,931	-
61 - 90 Days	144,706	4,659	19,979	-
+ 90 Days	10,345,453	415,394	526,041	-
Sub-total	11,311,681	481,026	587,369	-
Less: Provision for Impairment	(3,144,454)	(85,321)	-	-
Total Rates Debtors by Customer Classification	8,167,228	395,706	587,369	-

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2012				
<u>Current:</u>				
0 - 30 days	565,226	59,576	3,654	-
<u>Past Due:</u>				
31 - 60 Days	184,373	5,239	3,652	-
61 - 90 Days	153,118	5,233	3,652	-
+ 90 Days	7,110,987	388,078	206,409	-
Sub-total	8,013,704	458,126	217,367	-
Less: Provision for Impairment	(2,295,606)	(75,112)	-	-
Total Rates Debtors by Customer Classification	5,718,098	383,014	217,367	-

5.3 Reconciliation of Provision for Impairment

Balance at beginning of year	(2,370,718)	(668,180)
Impairment Losses recognised	(859,056)	(1,702,538)
Balance at end of year	(3,229,774)	(2,370,718)

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)		
No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits, which are not covering the total outstanding debt and vacant property respectively.		
Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.		
6. VAT RECEIVABLE		
VAT Receivable	-	-
VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.		
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.		
7. CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	17,196,489	14,379,346
Bank Overdraft	(6,496,488)	(5,154,118)
Total Bank, Cash and Cash Equivalents	10,700,001	9,225,228
For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.		
7.1 Current Investment Deposits		
Call Deposits	7,098,439	8,062,686
Notice Deposits	9,927,906	6,284,366
Total Current Investment Deposits	17,026,345	14,347,052
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.10 % to 5.75 % (2012: 5% to 7.50%) per annum.		
Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 5.54 % to 5.68 % (2012: 5.40 % to 6.53 %)per annum.		
Deposits attributable to Unspent Conditional Grants	12,307,653	11,954,427
Total Deposits attributable to Commitments of the Municipality	12,307,653	11,954,427
7.2 Bank Accounts		
Cash in Bank	168,744	31,134
Bank Overdraft	(6,871,712)	(5,154,118)
Total Bank Accounts	(6,702,968)	(5,122,984)
The Municipality has the following bank accounts:		
ABSA Bank Limited - De Aar Branch - Cheque Account Number 185 000 0081		
Cash book balance at beginning of year	-5,154,118	-4,020,092
Cash book balance at end of year	-6,871,712	-5,154,118
Bank statement balance at beginning of year	4,271,207	176,498
Bank statement balance at end of year	3,897,789	4,271,207

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7. CASH AND CASH EQUIVALENTS (continued)		
<i>Standard Bank of SA Limited - De Aar Branch - Cheque Account Number 2803 50007</i>		
Cash book balance at beginning of year	2,216	870
Cash book balance at end of year	<u>41,694</u>	<u>2,216</u>
Bank statement balance at beginning of year	2,216	1,061
Bank statement balance at end of year	<u>41,494</u>	<u>2,216</u>
<i>ABSA Bank Limited - De Aar Branch - Cheque Account Number 4061 685 162</i>		
Cash book balance at beginning of year	28,918	59,343
Cash book balance at end of year	<u>127,050</u>	<u>28,918</u>
Bank statement balance at beginning of year	28,918	59,343
Bank statement balance at end of year	<u>127,050</u>	<u>28,918</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 052 997 314</i>		
Cash book balance at beginning of year	7,784	7,784
Cash book balance at end of year	<u>-</u>	<u>7,784</u>
Bank statement balance at beginning of year	7,784	7,784
Bank statement balance at end of year	<u>-</u>	<u>7,784</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 817</i>		
Cash book balance at beginning of year	-	2,607,670
Cash book balance at end of year	<u>-</u>	<u>-</u>
Bank statement balance at beginning of year	-	2,607,670
Bank statement balance at end of year	<u>-</u>	<u>-</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 198 906</i>		
Cash book balance at beginning of year	6,070,801	6,070,801
Cash book balance at end of year	<u>9,925,304</u>	<u>6,070,801</u>
Bank statement balance at beginning of year	6,070,801	6,070,801
Bank statement balance at end of year	<u>9,925,304</u>	<u>6,070,801</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 062 199 059</i>		
Cash book balance at beginning of year	203,339	203,339
Cash book balance at end of year	<u>-</u>	<u>203,339</u>
Bank statement balance at beginning of year	203,339	203,339
Bank statement balance at end of year	<u>-</u>	<u>203,339</u>
<i>ABSA Bank Limited - De Aar Branch - Fixed Deposit Account Number 2 068 494 239</i>		
Cash book balance at beginning of year	2,442	2,364
Cash book balance at end of year	<u>2,602</u>	<u>2,442</u>
Bank statement balance at beginning of year	2,442	2,364
Bank statement balance at end of year	<u>2,602</u>	<u>2,442</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 118 567 212</i>		
Cash book balance at beginning of year	1,014	1,024
Cash book balance at end of year	<u>1,063</u>	<u>1,014</u>
Bank statement balance at beginning of year	1,014	1,024
Bank statement balance at end of year	<u>1,063</u>	<u>1,014</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 168 828 440</i>		
Cash book balance at beginning of year	10,237	9,875
Cash book balance at end of year	<u>10,444</u>	<u>10,237</u>
Bank statement balance at beginning of year	10,237	9,875
Bank statement balance at end of year	<u>10,444</u>	<u>10,237</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7. CASH AND CASH EQUIVALENTS (continued)		
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 187 848 328</i>		
Cash book balance at beginning of year	1,000	1,089
Cash book balance at end of year	<u>-</u>	<u>1,000</u>
Bank statement balance at beginning of year	1,000	1,089
Bank statement balance at end of year	<u>-</u>	<u>1,000</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 205 814 279</i>		
Cash book balance at beginning of year	54,859	53,342
Cash book balance at end of year	<u>-</u>	<u>54,859</u>
Bank statement balance at beginning of year	54,859	53,342
Bank statement balance at end of year	<u>-</u>	<u>54,859</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 207 882 270</i>		
Cash book balance at beginning of year	1,002	1,021
Cash book balance at end of year	<u>-</u>	<u>1,002</u>
Bank statement balance at beginning of year	1,002	1,021
Bank statement balance at end of year	<u>-</u>	<u>1,002</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 223 682 147</i>		
Cash book balance at beginning of year	1,000	135,856
Cash book balance at end of year	<u>-</u>	<u>1,000</u>
Bank statement balance at beginning of year	1,000	135,856
Bank statement balance at end of year	<u>-</u>	<u>1,000</u>
<i>ABSA Bank Limited - De Aar Branch - Call Account Number 9 228 175 838</i>		
Cash book balance at beginning of year	1,007	2,772
Cash book balance at end of year	<u>-</u>	<u>1,007</u>
Bank statement balance at beginning of year	1,007	2,772
Bank statement balance at end of year	<u>-</u>	<u>1,007</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 28 891 0672 001</i>		
Cash book balance at beginning of year	2,607,670	2,308
Cash book balance at end of year	<u>5,943</u>	<u>2,607,670</u>
Bank statement balance at beginning of year	2,673,620	2,308
Bank statement balance at end of year	<u>5,943</u>	<u>2,673,620</u>
<i>First National Bank - De Aar Branch - Call Account Number 62338612105 / 808</i>		
Cash book balance at beginning of year	96,720	-
Cash book balance at end of year	<u>2,523</u>	<u>96,720</u>
Bank statement balance at beginning of year	96,720	-
Bank statement balance at end of year	<u>2,523</u>	<u>96,720</u>
<i>Nedbank Ltd - De Aar Branch - Call Account Number 03/7662022900/000001</i>		
Cash book balance at beginning of year	5,222,226	-
Cash book balance at end of year	<u>6,521,164</u>	<u>5,222,226</u>
Bank statement balance at beginning of year	5,222,226	-
Bank statement balance at end of year	<u>6,521,164</u>	<u>5,222,226</u>
<i>Standard Bank of SA Limited - De Aar Branch - Call Account Number 38 891 0356 002</i>		
Cash book balance at beginning of year	65,950	-
Cash book balance at end of year	<u>557,303</u>	<u>65,950</u>
Bank statement balance at beginning of year	65,950	-
Bank statement balance at end of year	<u>557,303</u>	<u>65,950</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
7. CASH AND CASH EQUIVALENTS (continued)		
Interest on overdrawn current accounts are charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.		
7.3 Cash and Cash Equivalents		
Cash Floats and Advances	1,400	1,160
Total Cash on hand in Cash Floats, Advances and Equivalents	2,040	2,040

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

8. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	199,554	243,733
Operating Lease Revenue recorded	(78,931)	(44,179)
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	120,623	199,554
Less: Amounts due for settlement within 12 months (Current Portion)	(25,602)	(78,931)
Operating Lease Assets due for settlement after 12 months (Non-current Portion)	95,021	120,623

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 5 to 11 (2012: 5 to 11) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	25,602	78,931
2 to 5 years	73,814	82,790
More than 5 years	21,208	37,832
Total Operating Lease Arrangements	120,623	199,554

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R78 931 (2012: decrease of R44 179) in current year income.

The following payments have been recognised for Rental Income and Repairs and Maintenance Expense in the Statement of Financial Performance:

Rental Income	402,351	491,192
Repairs and Maintenance	-	-

No restrictions have been imposed by the municipality in terms of the operating lease agreements.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Computer Equipment	Furniture and Fittings	Machinery and Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2012	172,956,248	833,120,224	935,802	5,777,861	6,437,276	6,897,187	55,250	1,026,179,848
Cost	281,372,108	1,847,598,194	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,157,191,457
- Completed Assets	280,666,111	1,826,352,407	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,135,239,674
- Under Construction	705,997	21,245,787	-	-	-	-	-	21,951,784
Accumulated Impairment Losses	(1,765,894)	-	(868)	(14,371)	(1,870)	(68,088)	-	(1,851,091)
Accumulated Depreciation	(106,649,966)	(1,014,477,970)	(991,693)	(2,396,898)	(2,906,340)	(1,606,361)	(131,291)	(1,129,160,519)
Acquisitions	557,224	400,840	319,874	165,532	139,934	280,000	-	1,863,405
Capital under Construction - Additions	502,408	11,337,340	-	-	-	-	-	11,839,748
Depreciation	(10,728,973)	(53,384,597)	(648,988)	(1,298,219)	(1,303,751)	(972,666)	-	(68,337,194)
Carrying value of Disposals:	-	-	(11,746)	(62,446)	(12,038)	-	-	(86,230)
- Cost	-	-	(22,583)	(113,572)	(35,638)	-	-	(171,793)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	10,837	51,126	23,601	-	-	85,563
Carrying value of Transfers to Held-for-Sale:	-	-	(2,871)	(29,137)	(9,511)	(30,213)	-	(71,732)
- Cost	-	-	(37,942)	(103,379)	(59,040)	(54,101)	-	(254,462)
- Accumulated Depreciation	-	-	31,383	68,747	49,529	23,888	-	173,547
- Accumulated Impairment Losses	-	-	3,688	5,494	-	-	-	9,183
Impairment Losses	-	-	(5,569)	(11,160)	(3,880)	(105,995)	-	(126,604)
Capital under Construction - Completed	-	-	-	-	-	-	-	-
- Completed Assets	-	-	-	-	-	-	-	-
- Under Construction	-	-	-	-	-	-	-	-
Carrying values at 30 June 2013	163,286,906	791,473,807	586,502	4,542,430	5,248,031	6,068,313	55,250	971,261,240
Cost	282,431,740	1,859,336,374	2,187,712	8,137,711	9,390,742	8,797,535	186,541	2,170,468,355
- Completed Assets	281,223,335	1,826,753,248	2,187,712	8,137,711	9,390,742	8,797,535	186,541	2,136,676,824
- Under Construction	1,208,405	32,583,127	-	-	-	-	-	33,791,532
Accumulated Impairment Losses	(1,765,894)	-	(2,748)	(20,037)	(5,750)	(174,083)	-	(1,968,512)
Accumulated Depreciation	(117,378,939)	(1,067,862,567)	(1,598,462)	(3,575,244)	(4,136,961)	(2,555,139)	(131,291)	(1,197,238,603)

30 June 2012

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Computer Equipment	Furniture and Fittings	Machinery and Equipment	Transport Assets	Leased Assets	Total
	R	R	R	R	R	R	R	R
Carrying values at 01 July 2011	184,059,627	871,798,397	1,288,553	3,167,043	7,536,837	7,204,915	78,512	1,075,133,884
Cost	281,312,163	1,833,275,756	1,877,473	4,513,098	9,092,638	7,887,868	186,541	2,138,145,536
- Completed Assets	280,606,166	1,826,041,694	1,877,473	4,513,098	9,092,638	7,887,868	186,541	2,130,205,478
- Under Construction	705,997	7,234,062	-	-	-	-	-	7,940,059
Accumulated Impairment Losses	(1,765,894)	-	-	-	-	-	-	(1,765,894)
Accumulated Depreciation	(95,486,642)	(961,477,358)	(588,920)	(1,346,055)	(1,555,801)	(682,953)	(108,029)	(1,061,245,758)
Acquisitions	59,945	310,713	197,378	3,704,976	302,709	683,768	-	5,259,490
Capital under Construction - Additions	-	14,011,725	-	-	-	-	-	14,011,725
Depreciation	(11,163,324)	(53,000,612)	(529,898)	(1,070,332)	(1,383,079)	(923,408)	(23,262)	(68,093,915)
Carrying value of Disposals:	-	-	(19,363)	(9,456)	(17,321)	-	-	(46,140)
- Cost	-	-	(146,488)	(28,945)	(49,861)	-	-	(225,294)
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	127,125	19,489	32,540	-	-	179,154
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-	-	-
- Cost	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-	-	-
Impairment Losses	-	-	(868)	(14,371)	(1,870)	(68,088)	-	(85,197)
Capital under Construction - Completed	-	-	-	-	-	-	-	-
- Completed Assets	-	-	-	-	-	-	-	-
- Under Construction	-	-	-	-	-	-	-	-
Carrying values at 30 June 2012	172,956,248	833,120,224	935,802	5,777,861	6,437,276	6,897,187	55,250	1,026,179,848
Cost	281,372,108	1,847,598,194	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,157,191,457
- Completed Assets	280,666,111	1,826,352,407	1,928,363	8,189,129	9,345,486	8,571,636	186,541	2,135,239,674
- Under Construction	705,997	21,245,787	-	-	-	-	-	21,951,784
Accumulated Impairment Losses	(1,765,894)	-	(868)	(14,371)	(1,870)	(68,088)	-	(1,851,091)
Accumulated Depreciation	(106,649,966)	(1,014,477,970)	(991,693)	(2,396,898)	(2,906,340)	(1,606,361)	(131,291)	(1,129,160,519)

The leased Property, Plant and Equipment is secured as set out in Note 21.

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Assets pledged as security

The municipality's obligations under Finance Leases (see Note 21) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

9.3 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R126 406 (2012: R85 196) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 34.

Other Assets: Furniture and Fittings	11,160	14,371
Other Assets: Motor Vehicles	105,995	68,087
Other Assets: Office Equipment	3,880	1,870
Other Assets: Computer Equipment	5,569	868
Total Impairment of Property, Plant and Equipment	126,604	85,196

Impairment losses on Property, Plant and Equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of Property, Plant and Equipment have been physically damaged, stolen or have become redundant and idle.

9.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:

Executive and Council	-	1,466
Finance and Administration	-	19,807
Planning and Development	-	10,012
Health	-	659
Community and Social Services	-	21,254
Housing	-	72,741
Waste Management	-	56,682
Roads and Transport	-	7,288
Water	-	6,769
Electricity	-	7,105
Total Change in Estimate for Useful Life of Property, Plant and Equipment	-	203,783

The change in estimates will result in an increase of R0 (R203 783) in the depreciation expense for the municipality over the next three financial years.

9.5 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	538,049	1,062,346
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2012	1,062,346	1,062,346
Cost	1,820,752	1,820,752
Accumulated Amortisation	(758,406)	(758,406)
Acquisitions:	63,909	63,909
Purchased	63,909	63,909
Amortisation:	(588,205)	(588,205)
Purchased	(588,205)	(588,205)
Carrying values at 30 June 2013	538,049	538,049
Cost	1,884,661	1,884,661
Accumulated Amortisation	(1,346,611)	(1,346,611)
	Computer Software	Total
Carrying values at 01 July 2011	1,611,012	1,611,012
Cost	1,795,143	1,795,143
Accumulated Amortisation	(184,131)	(184,131)
Acquisitions:	25,609	25,609
Purchased	25,609	25,609
Amortisation:	(574,275)	(574,275)
Purchased	(574,275)	(574,275)
Carrying values at 30 June 2012	1,062,346	1,062,346
Cost	1,820,752	1,820,752
Accumulated Amortisation	(758,406)	(758,406)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 33).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets

The municipality has a Financial Accounting System, Abakus, which is material in relation to other intangibles assets recognised. The carrying amount of the software of R425 000 (2012: R925 000).

10.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
11. INVESTMENT PROPERTY		
At Fair Value	<u>5,004,000</u>	<u>3,100,000</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	3,100,000	3,434,100
Fair Value	<u>3,100,000</u>	<u>3,434,100</u>
Acquisitions during the Year	-	-
Disposals during the Year	-	(334,100)
Net Gains / (Losses) from Fair Value Adjustments	1,904,000	-
Impairment Losses during the Year	-	-
	<u>5,004,000</u>	<u>3,100,000</u>
Carrying values at 30 June	5,004,000	3,100,000
Fair Value	<u>5,004,000</u>	<u>3,100,000</u>
Estimated Fair Value of Investment Property at 30 June	<u>5,004,000</u>	<u>3,100,000</u>

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Rental Revenue earned from Investment Property	-	-
Direct Operating Expenses - incurred to generate rental revenue	-	-
Direct Operating Expenses - incurred which did not generate rental revenue	-	-

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Investment Property carried at Fair Value

The municipality's Investment Property was valued at 30 June 2013 at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

The following assumptions were used:

Discount Rate	7.80%	6.74%
Other		

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

12. HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	<u>-</u>	<u>-</u>
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The municipality, has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. It is possible that certain heritage assets are currently being recognised as Property, Plant and Equipment.

No restrictions apply to any of the Heritage Assets of the municipality.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
13. NON-CURRENT INVESTMENTS		
Listed		
Listed Shares	13,980	10,940
Total Investments		
All Investments	13,980	10,940
Less: Short-term Portion transferred to Current Investments	-	-
Total Non-current Investments	13,980	10,940
Market valuation of Listed Investments		
Listed Shares	13,980	10,940

Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates.

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

14. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Other Loans	1,164	-	1,164
	1,164	-	1,164
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			1,164
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2012			
Other Loans	1,164	-	1,164
	1,164	-	1,164
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			1,164

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

14.1 Ageing of Long-term Receivables

<u>Current:</u>		
0 - 30 days	-	-
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	1,164	1,164
Total	1,164	1,164

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

14. LONG-TERM RECEIVABLES (continued)

In determining the recoverability of a Long-term Receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The Provision for Impairment on Long-term Receivables exists predominantly due to the possibility that these debts will not be recovered. Long-term Receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment. However, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

15. CONSUMER DEPOSITS

Electricity and Water	1,825,041	1,781,959
Total Consumer Deposits	<u>1,825,041</u>	<u>1,781,959</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

16. PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 22)	882,492	778,080
Total Provisions	<u>882,492</u>	<u>778,080</u>

The movement in provisions are reconciled as follows:

	Post-retirement R	Post-retirement R
Balance at beginning of year	778,080	874,536
Transfer from non-current	-	-
Contributions to provision	104,412	(96,456)
Expenditure incurred	-	-
Reduction due to re-measurement	-	-
Balance at end of year	<u>882,492</u>	<u>778,080</u>

17. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Creditors	542,419	2,641,528
Payments Received In Advance	738,817	1,257,371
Staff Bonuses	1,648,427	1,174,230
Staff Leave Accrued	3,816,770	3,973,404
Sundry Deposits	212,059	199,745
Other Creditors	2,431,380	2,008,536
Total Payables	<u>9,389,870</u>	<u>11,254,814</u>

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

17. PAYABLES FROM EXCHANGE TRANSACTIONS (continued)

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

18. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments received in Advance	844,342	1,092,970
Other Creditors	-	-
Total Payables	844,342	1,092,970

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

19. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

19.1 Conditional Grants from Government

	12,307,653	11,954,427
National Government Grants	6,053,160	4,768,432
Provincial Government Grants	6,215,305	7,146,807
Other Spheres of Government	39,188	39,188
Total Conditional Grants and Receipts	12,307,653	11,954,427

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

During July 2013 (2013/2014), R1 501 000 was withheld from the 2013/2014 Equitable Share allocation as repayment for the unspent MIG at 30 June 2013. This relates to the 2012 unspent portion. National Treasury approved R1 400 000 for roll-over and recovered the remaining balance through the Equitable Share allocation that was withheld.

As disclosed in Note 26, the unspent MIG amounted to R6 053 160 at 30 June 2013. This balance is before the above offsetting against the Equitable Share is taken into account, which means that the outstanding balance in respect to the 2013 financial year amounted to R4 552 160 at the issue date of the these Financial Statements.

Refer to Appendix "F" for more detail on Conditional Grants.

20. VAT PAYABLE

VAT Payable	4,190,337	2,366,885
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VaAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21. LONG-TERM LIABILITIES		
Annuity Loans	8,492,623	10,743,580
Finance Lease Liabilities	-	23,604
Sub-total	<u>8,492,623</u>	<u>10,767,184</u>
Less: Current Portion transferred to Current Liabilities:-	(2,484,682)	(2,256,675)
Annuity Loans	(2,484,682)	(2,233,071)
Finance Lease Liabilities	<u>-</u>	<u>(23,604)</u>
Total Long-term Liabilities (Neither past due, nor impaired)	<u><u>6,007,941</u></u>	<u><u>8,510,509</u></u>

21.1 Summary of Arrangements

Annuity Loans are repaid over periods varying from 5 to 10 (2012: 5 to 10) years and at interest rates varying from 9.60% to 12.00% (2012: 9.60% to 12.00%) per annum. Annuity Loans are not secured.

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on Finance Leases is between 10.00% and 11.00% (2012: 10.00% and 11.00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

Refer to Appendix "A" for more detail on Long-term Liabilities.

21.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on Finance Leases is between 10.00% and 11.00% (2012: 10.00% and 11.00%). Capitalised Lease Liabilities are secured over the items of equipment leased.

The municipality has options to purchase the Property, Plant and Equipment for a nominal amount at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 R	2012 R	2013 R	2012 R
Amounts payable under finance leases:				
Within one year	-	23,738	-	23,604
In the second to fifth years, inclusive	-	-	-	-
Over five years	-	-	-	-
	<u>-</u>	<u>23,738</u>	<u>-</u>	<u>23,604</u>
Less: Future Finance Obligations	-	(155)	-	-
Present Value of Minimum Lease Obligations	<u><u>-</u></u>	<u><u>23,583</u></u>	<u><u>-</u></u>	<u><u>23,604</u></u>
Less: Amounts due for settlement within 12 months (Current Portion)			-	(23,604)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u><u>-</u></u>	<u><u>-</u></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21. LONG-TERM LIABILITIES (continued)		
Included in these classes are the following significant leases:		
(i) IT Equipment		
- Installments are payable quarterly in advance		
- Average period outstanding	0 months	0 months
- Average effective interest rate	10.00%	10.00%
- Average quarterly installment	R 2,637.60	R 2,637.60

21.3 Breach of Loan Agreement

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

22. RETIREMENT BENEFIT LIABILITIES

22.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	25,908,685	26,598,730
Contributions to Provision	1,282,656	1,091,123
Increase due to Discounting	2,017,069	2,263,243
Benefits Paid	(778,080)	(874,536)
Actuarial (Gains) /Losses	1,290,824	(3,169,875)
Balance at end of Year	29,721,154	25,908,685
Transfer to Current Provisions	(882,492)	(778,080)
Total Post-retirement Health Care Benefits Liability	28,838,662	25,130,605

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	53	48
In-service Non-members (Employees)	249	253
Continuation Members (Retirees, widowers and orphans)	29	28
Total Members	331	329

The liability in respect of past service has been estimated as follows:

In-service Members	17,336,007	15,073,968
Continuation Members	12,385,147	10,834,717
Total Liability	29,721,154	25,908,685

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R		
22. RETIREMENT BENEFIT LIABILITIES (continued)				
The Current-service Cost for the year ending 30 June 2013 is estimated to be R1 466 239, whereas the cost for the ensuing year is estimated to be R1 282 656 (2012: R1 091 123 and R1 282 656 respectively).				
The principal assumptions used for the purposes of the actuarial valuations were as follows:				
Discount Rate	8.83%	7.90%		
Health Care Cost Inflation Rate	7.65%	6.97%		
Net Effective Discount Rate	1.10%	0.87%		
Expected Retirement Age - Females	59	59		
Expected Retirement Age - Males	63	63		
Movements in the present value of the Defined Benefit Obligation were as follows:				
Balance at the beginning of the year	25,908,685	26,598,730		
Current service costs	1,282,656	1,091,123		
Interest cost	2,017,069	2,263,243		
Benefits paid	(778,080)	(874,536)		
Actuarial losses / (gains)	1,290,824	(3,169,875)		
Present Value of Fund Obligation at the end of the Year	29,721,154	25,908,685		
Actuarial losses / (gains) unrecognised	-	-		
Total Recognised Benefit Liability	29,721,154	25,908,685		
The amounts recognised in the Statement of Financial Position are as follows:				
Present value of fund obligations	29,721,154	25,908,685		
Unfunded Accrued Liability	29,721,154	25,908,685		
Unrecognised Actuarial Gains / (Losses)	-	-		
Total Benefit Liability	29,721,154	25,908,685		
The amounts recognised in the Statement of Financial Performance are as follows:				
Current service cost	1,282,656	1,091,123		
Interest cost	2,017,069	2,263,243		
Benefits paid	(778,080)	(874,536)		
Actuarial losses / (gains)	1,290,824	(3,169,875)		
Total Post-retirement Benefit included in Employee Related Costs (Note 31)	3,812,469	(690,045)		
The history of experienced adjustments is as follows:				
	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	29,721,154	25,908,685	26,598,730	21,403,686
Deficit	29,721,154	25,908,685	26,598,730	21,403,686
Experienced adjustments on Plan Liabilities	28,430,330	29,078,560	-	-
In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.				
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:				
Increase:				
Effect on the aggregate of the current service cost and the interest cost			3,940,700	3,965,000
Effect on the defined benefit obligation			34,607,000	30,145,000
Decrease:				
Effect on the aggregate of the current service cost and the interest cost			2,790,400	2,865,100
Effect on the defined benefit obligation			25,768,000	22,466,000
The municipality expects to make a contribution of R1 466 239 (2012: R1 282 656) to the Defined Benefit Plans during the next financial year.				

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

22. RETIREMENT BENEFIT LIABILITIES (continued)

Refer to Note 52, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

23. NON-CURRENT PROVISIONS

Provision for Long Service Awards	2,933,312	2,606,021
Provision for Rehabilitation of Land-fill Sites	5,919,130	2,467,105
Total Non-current Provisions	8,852,442	5,073,126

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2013		
Balance at beginning of year	2,606,021	2,467,105
Contributions to provision	327,291	3,452,025
Increase due to discounting	-	-
	<u>2,933,312</u>	<u>5,919,130</u>
Transfer to current provisions	-	-
Balance at end of year	2,933,312	5,919,130
	Long-service Awards R	Land-fill Sites R
30 June 2012		
Balance at beginning of year	2,307,237	2,412,280
Contributions to provision	298,784	-
Increase due to discounting	-	54,825
	<u>2,606,021</u>	<u>2,467,105</u>
Transfer to current provisions	-	-
Balance at end of year	2,606,021	2,467,105

23.1 Long Service Awards

In accordance with South African Local Government Bargaining Council (SALBGC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses is payable to employees for long service. Bonuses are payable in the following scales:

Years of service completed	Percentage of annual salary as bonus	Additional leave days
> 10 years	3%	10 days
> 15 years	4%	10 days
> 20 years	5%	15 days
> 25 years	6%	15 days
> 30 years	6%	15 days
> 35 years	6%	15 days

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 299 (2012: 295) employees were eligible for Long-service Awards.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
23. NON-CURRENT PROVISIONS (continued)		
The Current-service Cost for the year ending 30 June 2013 is estimated to be R322 808 (2012: R286 199), whereas the cost for the ensuing year is estimated to be R421 885 (2012: R322 808).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.08%	6.32%
Cost Inflation Rate	6.70%	5.98%
Net Effective Discount Rate	0.35%	0.32%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	2,606,021	2,307,237
Current service costs	322,808	286,199
Interest cost	157,132	164,298
Benefits paid	(239,250)	(323,311)
Actuarial losses / (gains)	86,601	171,598
Present Value of Fund Obligation at the end of the Year	2,933,312	2,606,021
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	2,933,312	2,606,021
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2,933,312	2,606,021
Unfunded Accrued Liability	2,933,312	2,606,021
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	2,933,312	2,606,021
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	322,808	286,199
Interest cost	157,132	164,298
Benefits paid	(239,250)	(323,311)
Actuarial losses / (gains)	86,601	171,598
Total Post-retirement Benefit included in Employee Related Costs (Note 31)	327,291	298,784

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	509,600	476,590
Effect on the defined benefit obligation	3,109,000	2,768,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	453,200	426,962
Effect on the defined benefit obligation	2,773,000	2,458,000

The municipality expects to make a contribution of R421 885 (2012: R322 808) to the Defined Benefit Plans during the next financial year.

23.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R5 919 130 (2012: R2 467 105) to restore the site at the end of its useful life, estimated to be in 2042. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

Management has included the best estimated amount at year end, but the actual amount is uncertain. This estimation is based on the assumption that the restoration will have to occur in 2042.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
24. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	2,252,793	2,252,793
Accumulated Surplus / (Deficit) due to the results of Operations	1,033,676,121	1,084,021,766
Total Accumulated Surplus	<u>1,035,928,914</u>	<u>1,086,274,559</u>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

25. PROPERTY RATES

	Property Valuations		Actual Levies	
	June 2013 R000's	June 2012 R000's		
Agricultural	1,172,727,179	1,172,727,179	17,028,064	16,019,889
Commercial	177,013,456	177,013,456	2,463,720	2,317,851
Municipal	99,038,593	99,038,593	221,847	208,712
State	797,198,115	797,198,115	1,435,564	1,350,569
Residential	26,589,449	26,589,449	11,467,117	10,788,187
Rebates			(15,396,177)	(16,348,013)
Total Property Rates	<u>2,272,566,792</u>	<u>2,272,566,792</u>	<u>17,220,134</u>	<u>14,337,195</u>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008. A general valuation has been performed during the financial year and will be applied with effect 1 July 2013.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

- Agricultural Properties: 0.003664 c/R (2011/12: 0.002274 c/R)
- Residential Properties: 0.014657 c/R (2011/12: 0.013827 c/R)
- Business Properties: 0.014726 c/R (2011/12: 0.013827 c/R)
- Government Properties: 0.014795 c/R (2011/12: 0.013827 c/R)

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	34,322,000	30,439,000
Operational Grants	34,322,000	30,439,000
Conditional Grants	20,573,263	13,448,413
National Government: Finance Management Grant	1,500,000	1,450,000
National Government: MIG	11,450,977	9,094,009
National Government: MSIG	800,000	790,000
Provincial Government: DWAF	-	141,410
National Government: DME	-	260,000
Provincial Government: DWAF (EU funding)	-	330,736
Provincial Government: DWAF (ACIP)	843,201	281,272
Provincial Government: Department of Housing	1,190,227	218,056
Provincial Government: Department of Sports, Arts and Culture	-	-
Provincial Government: Department of Sports, Arts and Culture	682,000	690,000
Provincial Government: Department of Transport	261,359	-
Provincial Government: Department of Public Works	700,000	-
Provincial Government: Department of Health	3,145,499	192,930
Local Government: District Municipality	-	-
Other Government: DBSA	-	-
Other Government: Other	-	-
Total Government Grants and Subsidies	54,895,263	43,887,413
Operational Grants:		
26.1 National: Equitable Share	34,322,000	30,439,000
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R130, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity free every month. No funds were withheld.		
Conditional Grants:		
26.2 National: FMG		
Balance unspent at beginning of year	-	-
Current year receipts	1,500,000	1,450,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1,500,000)	(1,450,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 20)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). All conditions attached to the grant were met. No funds have been withheld.		
26.3 National: MIG Funds		
Balance unspent at beginning of year	4,768,432	2,007,602
Repayment of funds	(1,829,000)	(178,000)
Current year receipts	16,141,000	13,306,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(11,450,977)	(9,094,009)
Conditions met - transferred to Revenue: Own Revenue	(1,576,296)	(1,273,161)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	6,053,160	4,768,432

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

26. GOVERNMENT GRANTS AND SUBSIDIES (continued)

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

At yearend, not all conditions were met in respect to the upgrading of infrastructure as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

26.4 National: MSIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	800,000	790,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(800,000)	(790,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. All conditions attached to the grant were met. No funds have been withheld.

26.5 Provincial: Department Water and Forests (DWAF)

Balance unspent at beginning of year	-	-
Current year receipts	-	141,410
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(141,410)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

This grant was used to cover the cost relating to the water testing. All conditions attached to the grant were met. No funds have been withheld.

26.6 Provincial: Department of Housing

Balance unspent at beginning of year	-	-
Current year receipts	5,824,807	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(5,403,169)	(20,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	20,000
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>421,638</u>	<u>-</u>

This grant was allocated for eradication of the housing backlog that may exist in the Municipal boundaries. All conditions attached to the grant were met. No funds have been withheld.

26.7 Provincial: Housing Accreditation

Balance unspent at beginning of year	-	-
Current year receipts	1,190,227	218,056
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1,190,227)	(218,056)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

This grant was allocated to improve capacity within the administration of the municipality in respect to the Housing Department. All conditions attached to the grant were met. No funds have been withheld.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.8 Provincial: Department of Public Works		
Balance unspent at beginning of year	-	-
Current year receipts	700,000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(700,000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

This grant was used for the upgrading of Roads facilities. All conditions attached to the grant were met. No funds have been withheld.

26.9 Provincial: Department of Sports, Arts and Culture

Balance unspent at beginning of year	150,000	150,000
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>150,000</u>	<u>150,000</u>

This grant was allocated for the upgrade of the Phandulwazi Library in accordance with the submitted business plan. No funds have been withheld.

At yearend, not all conditions were met in respect to the upgrading of the library as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

26.10 Provincial: Department of Sports, Arts and Culture

Balance unspent at beginning of year	-	-
Current year receipts	682,000	690,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(682,000)	(690,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

This grant was allocated for the upgrading of library equipment and operating expenses. All conditions attached to the grant were met. No funds have been withheld.

26.11 Provincial: Department of Health

Balance unspent at beginning of year	6,996,807	-
Current year receipts	-	7,189,737
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(3,145,499)	(192,930)
Conditions met - transferred to Revenue: Own Revenue	(440,370)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 20)	<u>3,410,938</u>	<u>6,996,807</u>

The grant was received for the construction of the electricity lines to the new hospital. All conditions attached to the grant were met. No funds have been withheld.

At yearend, not all conditions were met in respect to the construction of the electricity line as all funds received were not spent. This due to the fact that the required infrastructure has not been completed and no certificates have been presented for payment. This resulted in the unspent portion being recognised at yearend.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.12 Provincial: DME Grant		
Balance unspent at beginning of year	-	-
Current year receipts	-	260,000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(260,000)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

The DME allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant were met. No funds have been withheld.

26.13 Provincial: Hydroponic Houses

Balance unspent at beginning of year	-	128,600
Repayment of unused funds	-	(128,600)
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

The grant was received for the repair of the Hydroponic Vetgable Houses. All conditions attached to the grant were met. No funds have been withheld.

26.14 Provincial: Department of Transport

Balance unspent at beginning of year	-	-
Current year receipts	2,500,000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	(261,359)	-
Conditions met - transferred to Revenue: Own Revenue	(5,911)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>2,232,729</u>	<u>-</u>

This grant was allocated for the construction and upgrading of roads within the Nonzwakazi area.

At yearend, not all conditions were met in respect to the revitalization of the roads as all funds received were not spent. This resulted in the unspent portion being recognised at yearend.

26.15 Provincial: Department Water and Forests (EU funding)

Balance unspent at beginning of year	-	-
Current year receipts	-	330,736
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(330,736)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>-</u>	<u>-</u>

This grant was used to cover the cost relating to new water meters and the installation thereof. All conditions attached to the grant were met. No funds have been withheld.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
26. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
26.16 Provincial: Department Water and Forests (ACIP)		
Balance unspent at beginning of year	-	-
Current year receipts	950,518	281,272
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(843,201)	(281,272)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Conditions met - transferred to Revenue: Own Revenue	(107,317)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 19)	<u>(0)</u>	<u>-</u>

This grant was used to cover the cost relating to new water meters and the installation thereof. All conditions attached to the grant were met. No funds have been withheld.

26.17 Other Government: Other

Balance unspent at beginning of year	39,188	39,188
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 20)	<u>39,188</u>	<u>39,188</u>

The District Municipality allocates funds on an annual basis to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. All conditions attached to the grant were met. No funds have been withheld.

26.18 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2012), government grant funding is expected to increase over the forthcoming three financial years.

27. SERVICE CHARGES

Sale of Electricity	48,599,886	46,135,013
Sale of Water	16,433,534	15,574,187
Refuse Removal	5,322,955	4,946,593
Sewerage and Sanitation Charges	9,420,520	8,796,668
Other Service Charges	428,178	466,106
Total Service Charges	<u>80,205,072</u>	<u>75,918,566</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

28. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Halls	912,015	561,034
Rental Revenue from Land	5,265	1,693
Rental Revenue from Other Facilities	29,609	24,374
Total Rental of Facilities and Equipment	<u>946,889</u>	<u>587,101</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
29. INTEREST EARNED		
Property Rates:		
Penalties imposed and Collection Charges	102,997	223,361
	<u>102,997</u>	<u>223,361</u>
External Investments:		
Bank Account	168,984	45,715
Investments	1,425,946	539,321
Other Deposits	-	8
	<u>1,594,930</u>	<u>585,044</u>
Outstanding Debtors:		
Outstanding Billing Debtors	493,738	1,115,696
	<u>493,738</u>	<u>1,115,696</u>
Total Interest Earned	<u>2,191,665</u>	<u>1,924,101</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
At Amortised Cost	2,191,665	1,924,101
	<u>2,191,665</u>	<u>1,924,101</u>

Revenue recognised in respect of Financial Assets designated as at "fair value" is disclosed in Note 40.

30. OTHER REVENUE

Building Plan Fees	39,961	31,244
Grave Fees	216,767	227,622
Sundries Levies	326,846	3,511,711
Own Income - VAT	2,129,894	1,292,959
Bad Debts Recovered	1,158,000	-
Reconnection Fees	242,949	175,872
Insurance Received	-	201,458
Other Non-material Income	126,711	122,527
Total Other Revenue	<u>4,241,129</u>	<u>5,563,393</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 25 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
31. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	38,461,100	33,729,756
Basic Salaries and Wages	34,274,065	31,513,109
Long Service Bonuses	97,320	-
Leave Encashed	971,017	(7,617)
Service Bonuses	3,118,699	2,224,264
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	8,889,727	8,052,590
Group Life	60,193	66,144
Medical	1,890,632	1,745,114
Pension	6,093,777	5,541,018
Industrial Council Levy	23,764	19,352
Skills Development Levy	477,750	378,174
UIF	343,611	302,788
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2,325,113	1,986,716
Allowances	2,286,586	1,986,716
Pensioners Allowances	38,526	-
Housing Benefits and Allowances	130,410	109,463
Overtime Payments	2,111,266	2,187,656
Performance Bonuses	382,270	-
Defined Benefit Plan Expense:	3,812,469	(690,045)
Current Service Cost	504,576	216,587
Interest Cost	2,017,069	2,263,243
Net Actuarial (gains)/losses recognised	1,290,824	(3,169,875)
Long-service Award Liability Expense:	327,291	298,784
Current Service Cost	322,808	286,199
Interest Cost	157,132	164,298
Benefit Vesting	(239,250)	(323,311)
Net Actuarial (gains)/losses recognised	86,601	171,598
Total Employee Related Costs	56,439,645	45,674,920
No advances were made to employees.		
Included in Employee Related Costs is an amount of R6 093 777 (2012: R5 541 018) paid by the municipality to Defined Contribution Plans at rates specified by the rules of the plans.		
Remuneration of Section 57 Employees:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	764,134	505,349
Performance Bonus	134,211	91,015
Car and Other Allowances	284,278	327,463
Company Contributions to UIF, Medical and Pension Funds	84,638	76,443
Total	1,267,262	1,000,270
<i>Remuneration of the Chief Financial Officer</i>		
Annual Remuneration	767,116	554,154
Performance Bonus	172,575	84,222
Car and Other Allowances	244,814	189,819
Company Contributions to UIF, Medical and Pension Funds	102,216	94,029
Total	1,286,720	922,224
<i>Remuneration of the Director: Corporate, Community and Development Services</i>		
Annual Remuneration	428,915	351,173
Performance Bonus	91,132	-
Car and Other Allowances	140,446	75,369
Company Contributions to UIF, Medical and Pension Funds	119,842	93,742
Total	780,335	520,284
<i>Remuneration of the Director: Infrastructure and Housing Services</i>		
Annual Remuneration	726,247	566,408
Performance Bonus	94,418	80,595
Car and Other Allowances	133,842	133,695
Company Contributions to UIF, Medical and Pension Funds	113,402	103,501
Total	1,067,910	884,199

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
32. REMUNERATION OF COUNCILLORS		
Mayor	627,956	591,626
Speaker	509,803	482,284
Councillors	1,832,904	2,209,120
Other Allowances (Cellular Phones, Housing, Transport, etc)	722,918	138,216
Total Councillors' Remuneration	3,693,580	3,421,246
Remuneration of Councillors:		
<i>In-kind Benefits</i>		
The Councillors occupying the positions of Executive Mayor and Speaker of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
The Mayor has use of a Council owned vehicle for official duties.		
33. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	68,337,194	68,076,907
Amortisation: Intangible Assets	588,205	591,283
Total Depreciation and Amortisation	68,925,399	68,668,190
34. IMPAIRMENT LOSSES		
<i>34.1 Impairment Losses on Fixed Assets</i>		
Impairment Losses Recognised:	126,604	85,195
Property, Plant and Equipment	126,604	85,195
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
	126,604	85,195
<i>34.2 Impairment Losses on Financial Assets</i>		
Impairment Losses Recognised:	6,746,156	16,886,024
Consumer Debtors	6,746,156	16,886,024
Impairment Losses Reversed:	-	-
Consumer Debtors	-	-
	6,746,156	16,886,024
Total Impairment Loss	6,872,760	16,971,219
35. FINANCE COSTS		
Bank Overdraft	1,539	4,135
Finance Leases	8,842	1,497
Loans and Payables at amortised cost	1,031,051	1,278,855
Total Interest Paid on External Borrowings	1,041,433	1,284,487
36. BULK PURCHASES		
Electricity	37,634,290	33,173,974
Water	1,147,195	931,628
Total Bulk Purchases	38,781,485	34,105,602

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Escom whilst Water is purchased from various sources.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
37. CONTRACTED SERVICES		
Professional Fees	1,932,611	3,239,262
Security Services	1,538,610	947,368
Other Contracted Services	3,786,188	4,500,152
Total Contracted Services	7,257,409	8,686,782

38. GRANTS AND SUBSIDIES PAID

Community Projects	-	120,395
Other	304,870	667,777
Total Grants and Subsidies	304,870	788,172

The Accreditation Expenses are incurred by the municipality in order to further housing projects within the municipal boundaries. This represents a subsidy paid by the municipality to ensure the success of the respective housing projects.

39. GENERAL EXPENSES

Included in General Expenses are the following:

Advertising	190,468	220,706
Assessment Rates and Municipal Charges	1,931,898	1,643,858
Audit Fees	1,688,335	1,882,181
Bank Charges	306,782	368,943
Branding of the Municipality	255,537	185,655
Cleaning Materials	103,459	86,734
Conference Fees	21,274	10,695
Driving License Fees	78,150	47,475
Electricity Rural Water Pumps	1,186,049	1,048,997
Entertainment	119,728	122,969
Festivals	382,705	335,461
Fuel and Oil	2,767,493	2,526,519
Grave Excavations	85,025	67,723
HR Employee Wellness	1,252,098	1,290,540
IDP Review	7,531	23,220
Insurance	968,488	805,263
Internal Audit	11,378	119,693
Lease Charges	-	10,376
Legal Costs	106,359	189,075
Levies: SALGA	390,509	409,684
License Fees and Subscriptions	327,737	319,089
Lost due to Fraud	649,185	-
Magazines and Reference Work	14,330	965
Motor Vehicle Expenses	87,369	132,458
Performance Appraisal System	-	38,060
Printing and Stationery	926,786	947,115
Protective Clothing	490,464	66,748
Sundry Expenses	1,069,735	1,183,092
Strategic Planning Expenses	210,162	240,031
Telephone Cost	1,075,223	1,183,502
Tourism Strategy	64,891	357,858
Training Costs	80,380	102,007
Travelling and Subsistence	1,922,425	1,737,794
Water	735,279	274,425
Workmen's Compensation	322,136	2,592
Youth Development Programme	101,963	-
Total General Expenses	19,931,330	17,981,505

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

39. GENERAL EXPENSES (continued)

39.1 Material Losses

Lost due to Fraud

649,185	-
649,185	-

The amounts disclosed above for **Lost due to Fraud** are in respect of costs incurred due to fraud which occurred during the financial year. The matter has been reported to the Police and the investigation is in progress.

40. OTHER GAINS AND LOSSES

Change in Fair Value of Financial Assets designated as at FVTPL

3,040

3,262

Change in Fair Value of Investment Property

1,904,000

-

Net Other Gains and Losses

1,907,040	3,262
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No other gains or losses have been recognised in respect of Loans and Receivables, other than as disclosed in Note 13 and Impairment Losses recognised/reversed in respect of Trade Receivables (see Note 34).

41. CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2012/2013 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

41.1 GRAP 104: Financial Instruments

The municipality developed an Accounting Policy to fully comply with *GRAP 104: Financial Instruments*. Previously the municipality used the principles set out in IAS 39 to account for financial instruments. Management has evaluated the requirements of the Standard and it was found that the only adjustment to be made is to the classification of the Financial Assets (as illustrated below):

Reclassification of Financial Instruments:

Financial Assets	Old Classification as per IAS 39	Classification per GRAP 104	Old Carrying Amount	New Carrying Amount
Current Portion of Investments	Held to Maturity	Amortised Cost	14,347,052	14,347,052
Long-term Receivables	Loans and Receivables	Amortised Cost	1,164	1,164
Receivables from Exchange Transactions	Loans and Receivables	Amortised Cost	38,284,865	38,284,865
Receivables from Non-Exchange Transactions	Loans and Receivables	Amortised Cost	9,790,381	9,790,381
Bank, Cash and Cash Equivalents	Loans and Receivables	Amortised Cost	14,379,346	14,379,346
Non-current Investments	Loans and Receivables	Amortised Cost	10,940	10,940

41.2 GRAP 21: Impairment of Non-cash-generating Assets

The municipality has developed Accounting Policies to fully comply with *GRAP 21: Impairment of Non-cash-generating Assets*. Previously the municipality used the principles set out in IPSAS 21 to account for impairment of Non - cash - generating assets. GRAP 21 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 21 and IPSAS 21 are similar.

41.3 GRAP 26: Impairment of Cash-generating Assets

The municipality has developed Accounting Policies to fully comply with *GRAP 26: Impairment of Cash-generating Assets*. Previously the municipality used the principles set out in IAS 36 to account for impairment of Cash - generating assets. GRAP 26 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 26 and IAS 36 are similar.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
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2012
R

41. CHANGE IN ACCOUNTING POLICY (continued)

41.4 GRAP 24: Presentation of Budget Information in the Financial Statement

The municipality has developed Accounting Policies to fully comply with *GRAP 24: Presentation of Budget Information* in the Financial Statements. Previously the municipality used the principles set out in GRAP 1 to present budget information. GRAP 24 is to be applied prospectively. To fully comply with the requirements set out in this Standard, the municipality have included the following budget information:

- Budget Statement
- Appendix E1: Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- Appendix E2: Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- Appendix E3: Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)
- Appendix E4: Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- Appendix E5: Reconciliation of Table A7 Budgeted Cash Flows

Appendix E1 and E2 were presented last year containing different information. Appendix E3, E4 and E5 are presented for the first time for the year ending 30 June 2013.

41.5 GRAP 103: Heritage Assets

The municipality has developed Accounting Policies to fully comply with *GRAP 103: Heritage Assets*. In the previous financial years presented, management used GRAP 103 to formulate an Accounting Policy, therefore no retrospective adjustment is required to the Annual Financial Statements.

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of heritage assets.

42. CORRECTION OF ERROR

Corrections were made and adjusted to the Accumulated Surplus Account during the financial years ended 30 June 2012 and 30 June 2013. Details of the adjustments are as follows:

Statement of Financial Position:

Inventory	70,621,896	46,078,743
Current Portion: Operating Lease Asset	199,554	78,931
Receivables from Non-Exchange Transactions	7,788,763	7,788,763
Receivables from Exchange Transactions	38,284,868	39,144,555
Cash and Cash Equivalents	9,225,228	14,379,346
Property, Plant and Equipment	1,026,179,851	1,025,429,449
Intangible Assets	1,062,345	1,062,346
Investment Property	3,100,000	3,106,800
Non-Current Investments	10,940	10,940
Operating Lease Asset	-	120,623
Long-term Receivables from Exchange Transactions	1,164	1,164
Consumer Deposits	(1,781,959)	(1,781,959)
Current Portion of Retirement Benefit Liabilities	(778,080)	(1,282,656)
Creditors from Exchange Transactions	(11,254,814)	(12,003,563)
Creditors from Non-exchange Transactions	(1,092,970)	(772,728)
Unspent Conditional Grants and Receipts	(11,954,426)	(11,954,426)
VAT Payable	(2,366,885)	(2,189,259)
Bank Overdraft	-	(5,154,118)
Current Portion of Long-term Liabilities	-	(2,256,675)
Long-term Liabilities	(10,767,184)	(8,510,509)
Retirement Benefit Liabilities	(25,130,605)	(24,626,029)
Long Service Award	(2,606,022)	(2,606,022)
Non-current Provisions	(2,467,105)	(2,467,105)
Reserves	-	(198,634,515)
Reserves - Offsetting of Depreciation	-	12,190,337
Accumulated Surplus / (Deficit) - Opening balance	(919,832,243)	(919,832,243)
Accumulated Surplus - Offsetting of Depreciation	-	(12,190,337)
Accumulated Surplus / (Deficit) - (Profit) / loss for the year	55,864,774	56,870,146
Accumulated Surplus - Prior Year Adjustments	(222,307,090)	-
	-0	0

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
Statement of Financial Performance:		
Service Charges		308,156
Employee Related Costs		(552,128)
Depreciation and Amortisation		17,766
Impairment Losses		-
Repairs and Maintenance		(759,681)
Contracted Services		(2,688)
General Expenses		(768)
Other Income		(16,028)
		<u><u>(1,005,372)</u></u>

42.1 Duplicated electricity charges identified

During the current financial year management identified duplicated electricity charges applicable to a specific debtor. This was the result of internal meters also being charged. This has subsequently been corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	547,362	445,047
Increase / (decrease) in Receivables in Exchange Transactions	(547,362)	(547,362)

Statement of Financial Performance:

(Increase) / decrease in Service Charges		102,315
	<u>-</u>	<u>-</u>

42.2 Electricity charges overstated due to incorrect meter readings

During the current financial year management identified electricity readings that were incorrect (applicable to a specific debtor). This resulted in overcharges in respect to the electricity. This has subsequently been corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	311,421	106,482
Increase / (decrease) in Receivables in Exchange Transactions	(311,421)	(311,421)

Statement of Financial Performance:

(Increase) / decrease in Service Charges		204,939
	<u>-</u>	<u>-</u>

42.3 Sundry income for lost library books not recognised

It was found that receipts for lost library books have not been recognised as sundry income, but has rather been included in the financial records as creditors from exchange transactions. This has been subsequently corrected.

The effect of the Correction of Error is as follows:

Statement of Financial Position:

(Increase) / decrease in Accumulated Surplus	(56,582)	(40,554)
Increase / (decrease) in Creditors from Exchange Transactions	56,582	56,582

Statement of Financial Performance:

(Increase) / decrease in Other Income		(16,028)
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.4 Prior year current portion of Post Retirement Benefit Liability identified as overstated		
During the current financial year Arch Actuarial Consultants reviewed the disclosure note contained the 2011/2012 published annual financial statements. It was found that although the total balance was included and accounted for correctly, the current portion was calculated and disclosed incorrectly. This error has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Current Portion of Retirement Benefit Liabilities	504,576	504,576
(Increase) / decrease in Retirement Benefit Liabilities	(504,576)	(504,576)
	<u>-</u>	<u>-</u>
42.5 Prior year provision for leave overstated		
During the current financial year management discovered that the 2012 provision for leave was overstated due to a calculation error on the number of days used. This error has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Creditors from Exchange Transactions	552,128	552,128
(Increase) / decrease in Accumulated Surplus	(552,128)	
Statement of Financial Performance:		
Increase / (decrease) in Employee Related Costs		(552,128)
	<u>-</u>	<u>-</u>
42.6 Sale of land cancelled during financial year		
Receipt 12882500 was issued on 2009/12/07 for the sale of erf 427. This receipt was incorrectly recorded as revenue and during 2013 the sale was cancelled and the funds were repaid. The subsequent correction has been made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Creditors from Non-exchange Transactions	(2,000)	(2,000)
(Increase) / decrease in Accumulated Surplus	2,000	2,000
	<u>-</u>	<u>-</u>
42.7 Accrued interest for the 2010 financial period not reversed during 2011		
The accrued interest calculated for the year ending 30 June 2010 was not subsequently reversed during the 2010/2011 financial period. This resulted in the overstatement of the finance cost and sundry creditors during the 2010/2011 financial year. This has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Creditors from Exchange Transactions	140,290	140,290
(Increase) / decrease in Accumulated Surplus	(140,290)	(140,290)
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.8 Input VAT claimed in respect of 2011/2012 financial records		
A VAT review conducted during the year identified expenses incurred during the 2011/2012 financial year for which VAT was not claimed. The identified input VAT was subsequently claimed and the applicable correction to the accounting records have been made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in VAT Payable	4,396	4,396
(Increase) / decrease in Accumulated Surplus	(4,396)	(875)
Statement of Financial Performance:		
Increase / (decrease) in Service Charges		(1)
Increase / (decrease) in Repairs and Maintenance		(63)
Increase / (decrease) in Contracted Services		(2,688)
Increase / (decrease) in General Expense		(768)
	-	-
42.9 Incorrect classification of land as Investment Property in previous financial years		
During the review of the Investment Property it was found that the Sprots Grounds (R6 800) was incorrectly classified as Investment Property in the previous financial years. This property is used by the public and the purpose thereof is to provide soical contribution. It therefore should have been calssified as Property, Plant and Equipment.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Property, Plant and Equipment	6,800	6,800
Increase / (decrease) in Investment Property	(6,800)	(6,800)
	-	-
42.10 Correction of consumer account		
It was found that a consumer paid his account - although the funds were debited from is debit card, it was never credited to the account of the municipality. The debtors account was subsequently corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
Increase / (decrease) in Trade and Other Receivables	(904)	(904)
(Increase) / decrease in Accumulated Surplus	904	
Statement of Financial Performance:		
(Increase) / decrease in Service Charges		904
	-	-
42.11 Receipt incorrectly accounted for as revenue and not provided for as a creditor		
Receipt number 1287898 (issued on 2010/05/07) was refunded during the year. This was accounted for as revenue and not as a creditor (sale of land). The necessary correction was subsequently made.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	250	250
(Increase) / decrease in Creditor from Exchange Transactions	(250)	(250)
	-	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
42.12 Receipt incorrectly accounted for as revenue and not provided for as a creditor		
A full deeds reconciliation was performed during the year and it was found that not all properties were listed in the previous financial periods. The deeds transfers furthermore indicated that some properties were sold in the past, but the transfer only occurred in the 2012/2013 financial period.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(24,224,911)	(24,224,911)
Increase / (decrease) in Inventory	24,543,154	24,543,154
(Increase) / decrease in Creditor from Non-exchange Transactions	(318,243)	(318,243)
	<u>-</u>	<u>-</u>
42.13 Prior year asset additions incorrectly expensed		
During the current year MIG reconciliation, it was found that certain asset additions were incorrectly expensed during the previous financial year.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(759,618)	
Increase / (decrease) in Property, Plant and Equipment	759,618	759,618
Statement of Financial Performance:		
(Increase) / decrease in Repairs and Maintenance		(759,618)
	<u>-</u>	<u>-</u>
42.14 Reclassification of Revaluation Reserve		
It was found that Directive 4 was incorrectly applied during the full GRAP conversion and that the Revaluation Reserve should not have been accounted for, but the adjustment should rather have been made to the Accumulated Surplus.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(186,444,178)	(186,444,178)
(Increase) / decrease in Revaluation Reserve	186,444,178	186,444,178
	<u>-</u>	<u>-</u>
42.15 Landfill site depreciation expense and carrying value misstated		
During the recalculation of the carrying value of the landfill sites, it was found that the carrying value was incorrect measured and the depreciation expense was misstated. This has subsequently been corrected.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	97,542	93,911
Increase / (decrease) in Property, Plant and Equipment	(97,542)	(97,542)
Statement of Financial Performance:		
Increase / (decrease) in Depreciation		3,631
	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
42. CORRECTION OF ERROR (continued)		
<i>42.16 June 2011 VAT refund corrected</i>		
A VAT reconciliation was performed and it was found that June 2011 refund was received after SARS made adjustments for the housing grant expenditure. These adjustments were accounted for in the current year as a prior period error.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus		182,021
(Increase) / decrease in VAT payable		(182,021)
	-	-
<i>42.17 Gains on movable assets identified</i>		
During the physical movable asset verification, gains were identified that were not recognised in the previous financial years. These gains have retrospectively been adjusted.		
The effect of the Correction of Error is as follows:		
Statement of Financial Position:		
(Increase) / decrease in Accumulated Surplus	(81,523)	(95,658)
Increase / (decrease) in Property, Plant and Equipment	81,523	81,523
Statement of Financial Performance:		
Increase / (decrease) in Depreciation Expense		14,135
	-	-
43. CHANGE IN ACCOUNTING ESTIMATES		
The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.		
44. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	(50,345,645)	(55,864,772)
Adjustment for:		
Depreciation and Amortisation	68,925,399	68,668,190
Impairment Losses on Property, Plant and Equipment	126,604	85,197
Losses / (Gains) on Disposal of Property, Plant and Equipment	86,230	44,914
Losses / (Gains) on Disposal of Investment Property	-	288,719
Other Movement on Property, Plant and Equipment	-	1,819
Fair Value Adjustment on Investment Property	(1,904,000)	-
Fair Value Adjustment on Non-current Investments	(3,040)	(3,262)
Contribution to Retirement Benefit Liabilities	3,708,057	-
Expenditure incurred from Retirement Benefit Liabilities	-	(377,002)
Contribution to Provisions - Current	104,412	-
Contribution to Provisions - Non-current	3,779,316	353,609
Expenditure incurred from Provisions - Current	-	(313,043)
Operating surplus before working capital changes	24,477,334	12,884,370
Decrease/(Increase) in Inventories	3,106,115	(92,232)
Decrease/(Increase) in Receivables from Exchange Transactions	(8,250,558)	1,994,823
Decrease/(Increase) in Receivables from Non-exchange Transactions	(2,001,618)	(596,364)
Increase/(Decrease) in Consumer Deposits	43,082	71,363
Increase/(Decrease) in Creditors from Exchange Transactions	(1,864,944)	3,221,103
Increase/(Decrease) in Creditors from Non-exchange Transactions	(248,627)	44,649
Increase/(Decrease) in Conditional Grants and Receipts	353,226	9,629,037
Increase/(Decrease) in VAT Payable	1,823,452	(1,850,800)
Cash generated by / (utilised in) Operations	17,437,462	25,305,949

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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45. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2012/13 financial year.

46. FINANCING FACILITIES

Unsecured Bank Overdraft Facility, reviewed annually and payable at call:

- Amount used	-	-
- Amount unused	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>

Unsecured Credit Card Facility, reviewed annually and payable monthly:

- Amount used	-	-
- Amount unused	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

Unsecured Fleet Card Facility, reviewed annually and payable monthly:

- Amount used	-	-
- Amount unused	800,000	800,000
	<u>800,000</u>	<u>800,000</u>

47. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 21)	8,492,623	10,767,184
Used to finance Property, Plant and Equipment - at cost	(8,492,623)	(10,767,184)

Cash invested for Repayment of Long-term Liabilities

<u>-</u>	<u>-</u>
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Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

48. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

48.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	55,530,424	-
Unauthorised Expenditure current year	56,063,348	56,042,160
Approved by Council or condoned	(111,593,772)	(511,736)

Unauthorised Expenditure awaiting authorisation	<u>-</u>	<u>55,530,424</u>
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Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>Expenditure condoned</i>
<i>Executive and Council - R11 129 849</i>	
<i>Road Transport - R1 520 767</i>	
<i>Housing Services - R2 705 002</i>	
<i>Waste Management - R3 179 756.57</i>	
<i>Electricity - R22 467 355</i>	
<i>Water - R15 060 492</i>	
<i>The unauthorised expenditure is attributable to the backlog depreciation which has not been budgeted for, but must be recognised and be accounted for in terms of GRAP. It is important to note that this is non-cash related accounting entries.</i>	

48.2 Fruitless and Wasteful Expenditure

No Fruitless and Wasteful Expenditure were incurred for either the 2011/2012 or 2012/2013 financial years.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

48. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)

48.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	11,700,078	16,257,924
Irregular Expenditure current year	(11,700,078)	(16,257,924)
Condoned or written off by Council	-	-
Irregular Expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>The irregular expenditure identified was inspected and it can be categorised as follows:</i>	<i>Expenditure condoned</i>
The required number of quotations (3) were not obtained. These items were also not reported to council as a deviation during the financial year and is therefore irregular = R292 308.	
Tax clearance certificates are not in place for certain costs incurred above R15 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R5 694 520.	
MBD 4 forms (declaration of interests) are not in place for certain costs incurred above R10 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R2 885 613.	
MBD 1 forms are not in place for certain costs incurred above R10 000. This is an administrative weakness that has lead to irregular expenditure (as defined) and in no way has funds been misappropriated = R1 293 665.	
Specific items amounting to R1 533 972 were identified to be irregular as these items exceeded the tendered amount.	

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

49.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	445,180	409,684
Amount Paid - current year	(445,180)	(409,684)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

49.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1,688,335	1,882,181
Amount Paid - current year	(1,688,335)	(1,882,181)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

49.3 VAT

The net of VAT input payables and VAT output receivables are shown in Notes 6 and 20. All VAT returns have been submitted by the due date throughout the year.

49.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	6,055,857	4,802,587
Amount Paid - current year	(6,055,857)	(4,802,587)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)		
49.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	12,005,713	10,248,115
Amount Paid - current year	(12,005,713)	(10,248,115)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

49.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2013			
Councillor Kivedo MC	10,069	482	9,587
Councillor Jood J	311	487	(176)
Councillor Witbooi WA	2,840	1,156	1,683
Total Councillor Arrear Consumer Accounts	<u><u>13,219</u></u>	<u><u>2,125</u></u>	<u><u>11,094</u></u>
30 June 2012			
Councillor Sthonga ST	300	300	-
Councillor Freddie MM	285	285	-
Councillor Kivedo MC	12,091	1,327	10,764
Councillor Jood J	1,901	1,341	560
Councillor Thomas NS	914	914	-
Councillor Du Plessis WJ	1,011	1,011	-
Councillor Witbooi WA	1,040	805	235
Councillor Malherbe M	988	988	-
Total Councillor Arrear Consumer Accounts	<u><u>18,530</u></u>	<u><u>6,971</u></u>	<u><u>11,559</u></u>

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

	Highest amount outstanding	Ageing
30 June 2013		
Councillor Kivedo MC	12,115	> 90 Days
Councillor Jood J	1,021	> 90 Days
Councillor Witbooi WA	2,464	> 90 Days
30 June 2012		
Councillor Sthonga ST	4,086	> 90 Days
Councillor Kivedo MC	11,548	> 90 Days
Councillor Jood J	708	> 90 Days
Councillor Jafhta AF	1,592	> 90 Days
Councillor Witbooi WA	210	> 90 Days

49.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

49.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The majority of the items mentioned resulted from the municipality not being able to obtain the required 3 quotations, due various reasons of which the following is the most common:

- Only 2 suppliers are registered on the municipal database that can do the work;
- Only service provider within a 300km radius;
- Advertising required in the local newspaper; and
- Only 1 or 2 quotations received.

Deviations from the stipulations in terms of the municipality's Supply Chain Management Policy were submitted to Council on a monthly basis for approval.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Only 1 quotation obtained:

Department	Date	Successful Tenderer	Reason	Amount
Executive & Council	Throughout	Various occasions	Various matters	37,836.47
Finance & Admin	Throughout	Various occasions	Various matters	337,017.68
Planning & Development	Throughout	Various occasions	Various matters	148,528.05
Community & Social Services	Throughout	Various occasions	Various matters	98,483.79
Public Safety	Throughout	Various occasions	Various matters	60,448.57
Sports & Recreation	Throughout	Various occasions	Various matters	14,903.63
Road Transport	Throughout	Various occasions	Various matters	360,860.34
Other	Throughout	Various occasions	Various matters	24,434.40
Housing Services	Throughout	Various occasions	Various matters	1,104.53
Waste Management	Throughout	Various occasions	Various matters	37,177.56
Waste Water Management	Throughout	Various occasions	Various matters	9,585.91
Electricity	Throughout	Various occasions	Various matters	131,886.84
Water	Throughout	Various occasions	Various matters	30,494.04
<i>376 occasions during the year amounting to R1,292,762</i>				

Only 2 quotations obtained:

Department	Date	Successful Tenderer	Reason	Amount
Executive & Council	Throughout	Various occasions	Various matters	37,836.47
Finance & Admin	Throughout	Various occasions	Various matters	337,017.68
Planning & Development	Throughout	Various occasions	Various matters	148,528.05
Community & Social Services	Throughout	Various occasions	Various matters	98,483.79
Public Safety	Throughout	Various occasions	Various matters	60,448.57
Sports & Recreation	Throughout	Various occasions	Various matters	14,903.63
Road Transport	Throughout	Various occasions	Various matters	360,860.34
Waste Management	Throughout	Various occasions	Various matters	37,177.56
Waste Water Management	Throughout	Various occasions	Various matters	9,585.91
Electricity	Throughout	Various occasions	Various matters	131,886.84
<i>288 occasions during the year amounting to R983,877</i>				

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

49.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2013	Unaccounted Electricity Losses	8,234,071	0.6800	5,599,168
30 June 2012	Unaccounted Electricity Losses	7,820,438	0.6100	4,770,467

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Volumes in kWh/year:

System Input Volume	55,479,545	54,462,302
Billed Consumption	(42,807,111)	(42,284,880)
Unaccounted	12,672,434	12,177,422
Normal distribution losses - % of electricity purchases	(4,438,364)	(4,356,984)
Distribution Loss	8,234,071	7,820,438

Percentage Distribution Loss 14.84% 14.36%

Loss (R): 5,599,168 4,770,467

Calculated as follows :

	%	Lost Units	Tariff	Value
30 June 2013				
Total Electricity Losses	100.00%	8,234,071	@	5,599,168
Household - sub	1.97%	162,039	0.6800	110,187
Household	19.00%	1,564,164	0.6800	1,063,631
Business	14.28%	1,175,761	0.6800	799,518
Rural	0.19%	15,660	0.6800	10,649
Large Consumers	13.71%	1,128,705	0.6800	767,519
Transnet	5.39%	443,578	0.6800	301,633
Streetlights	5.84%	480,508	0.6800	326,745
Departmental	1.13%	92,787	0.6800	63,095
Departmental - Large	0.01%	562	0.6800	382
Departmental - Rural	0.09%	7,156	0.6800	4,866
Departmental - Large	0.00%	325	0.6800	221
Pre-paid meters	38.41%	3,162,826	0.6800	2,150,722

30 June 2012

Total Electricity Losses	100.00%	7,820,439	@	4,770,468
Household - sub	2.06%	160,916	0.6100	98,159
Household	21.99%	1,719,807	0.6100	1,049,082
Business	15.31%	1,197,306	0.6100	730,357
Rural	0.19%	14,973	0.6100	9,134
Large Consumers	13.19%	1,031,235	0.6100	629,053
Transnet	5.49%	429,476	0.6100	261,980
Streetlights	5.20%	407,008	0.6100	248,275
Departmental	1.11%	86,909	0.6100	53,014
Departmental - Large	0.01%	548	0.6100	334
Departmental - Rural	0.08%	5,945	0.6100	3,626
Departmental - Large	0.01%	652	0.6100	398
Pre-paid meters	35.36%	2,765,664	0.6100	1,687,055

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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R **2012**
R

49. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

Water:

		Lost Units	Tariff	Value
30 June 2013	Unaccounted Water Losses	565,117	0.6838	386,444
30 June 2012	Unaccounted Water Losses	479,141	0.6132	293,821

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Volumes in Kl/year:

System Input Volume
Billed Consumption
Distribution Loss
Percentage Distribution Loss

50. COMMITMENTS FOR EXPENDITURE

50.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Housing Development

Other

8,559,351 **6,418,640**

7,917,931 5,199,371

339,420 -

302,000 1,219,269

- Approved but Not Yet Contracted for:-

Infrastructure

937,476 **937,476**

937,476 937,476

Total Capital Commitments

9,496,827 **7,356,116**

This expenditure will be financed from:

Government Grants

Own Resources

8,528,730 7,356,116

968,096 -

9,496,827 **7,356,116**

50.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 21.

50.3 Other Commitments

The municipality has entered into a contract with BVI Consulting Engineers for Engineering Services for Disinfect Drinking Water. The commitment at yearend amounted to R390 347 at yearend.

The municipality has entered into a contract with Nationwide Security for the provision for security services. The commitment at yearend amounted to R3 647 664 at yearend.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
51. FINANCIAL INSTRUMENTS			
51.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Non-current Investments			
Listed Investments	Fair value	13,980	10,940
Long-term Receivables			
Other Loans	Amortised cost	1,164	1,164
Receivables from Exchange Transactions			
Electricity	Amortised cost	12,228,107	10,419,822
Refuse	Amortised cost	5,165,851	4,300,924
Sewerage	Amortised cost	10,717,311	8,905,796
Water	Amortised cost	17,106,577	13,620,916
Other Receivables	Amortised cost	1,317,578	1,037,407
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	9,146,826	6,318,480
Sundry Deposits	Amortised cost	109,610	109,610
Sundry Debtors	Amortised cost	533,945	1,360,673
Cash and Cash Equivalents			
Call Deposits	Fair value	7,098,439	8,062,686
Notice Deposits	Fair value	9,927,906	6,284,366
Bank Balances	Fair value	168,744	31,134
Cash Floats and Advances	Fair value	1,400	1,160
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Other Loans	1,164	1,164
Receivables from Exchange Transactions	Electricity	12,228,107	10,419,822
Receivables from Exchange Transactions	Refuse	5,165,851	4,300,924
Receivables from Exchange Transactions	Sewerage	10,717,311	8,905,796
Receivables from Exchange Transactions	Water	17,106,577	13,620,916
Receivables from Exchange Transactions	Other Debtors	1,317,578	1,037,407
Receivables from Non-exchange Transactions	Assessment Rates Debtors	9,146,826	6,318,480
Receivables from Non-exchange Transactions	Sundry Deposits	109,610	109,610
Receivables from Non-exchange Transactions	Sundry Debtors	533,945	1,360,673
		<u>56,326,968</u>	<u>46,074,792</u>
Financial Assets at Fair Value:			
Non-current Investments	Listed Investments	13,980	10,940
Cash and Cash Equivalents	Call Deposits	7,098,439	8,062,686
Cash and Cash Equivalents	Notice Deposits	9,927,906	6,284,366
Cash and Cash Equivalents	Bank Balances	168,744	31,134
Cash and Cash Equivalents	Cash Floats and Advances	1,400	1,160
		<u>17,210,469</u>	<u>14,390,286</u>
Total Financial Assets		<u>73,537,437</u>	<u>60,465,079</u>

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
51. FINANCIAL INSTRUMENTS (continued)			
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	6,007,941	8,510,509
Finance Lease Liabilities	Amortised cost	-	-
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	542,419	2,641,528
Payments Received In Advance	Amortised cost	738,817	1,257,371
Staff Bonuses	Amortised cost	1,648,427	1,174,230
Staff Leave Accrued	Amortised cost	3,816,770	3,973,404
Sundry Deposits	Amortised cost	212,059	199,745
Other Creditors	Amortised cost	2,431,380	2,008,536
Payables from Non-exchange Transactions			
Payments Received In Advance	Amortised cost	844,342	1,092,970
Other Creditors	Amortised cost	-	-
Bank Overdraft			
Bank Overdraft	Fair value	6,871,712	5,154,118
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	2,484,682	2,233,071
Finance Lease Liabilities	Amortised cost	-	23,604
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	6,007,941	8,510,509
Long-term Liabilities	Finance Lease Liabilities	-	-
Payables from Exchange Transactions	Trade Creditors	542,419	2,641,528
Payables from Exchange Transactions	Payments Received In Advance	738,817	1,257,371
Payables from Exchange Transactions	Staff Bonuses	1,648,427	1,174,230
Payables from Exchange Transactions	Staff Leave Accrued	3,816,770	3,973,404
Payables from Exchange Transactions	Sundry Deposits	212,059	199,745
Payables from Exchange Transactions	Other Creditors	2,431,380	2,008,536
Payables from Non-exchange Transactions	Payments Received In Advance	844,342	1,092,970
Payables from Non-exchange Transactions	Other Creditors	-	-
Current Portion of Long-term Liabilities	Annuity Loans	2,484,682	2,233,071
Current Portion of Long-term Liabilities	Finance Lease Liabilities	-	23,604
		<u>18,726,836</u>	<u>23,114,968</u>
Financial Liabilities at Fair Value:			
Bank Overdraft	Bank Overdraft	6,871,712	5,154,118
		<u>6,871,712</u>	<u>5,154,118</u>
Total Financial Liabilities		<u>25,598,548</u>	<u>28,269,086</u>

51.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash and Short-term Investments

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R **2012**
R

51. FINANCIAL INSTRUMENTS (continued)

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2012, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2013		30 June 2012	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	56,326,968	56,326,968	46,074,792	46,074,792
Long-term Receivables	1,164	1,164	1,164	1,164
Trade Receivables from Exchange Transactions	46,535,423	46,535,423	38,284,865	38,284,865
Trade Receivables from Non-exchange Transactions	9,790,381	9,790,381	7,788,763	7,788,763
Measured at Fair Value	17,210,469	17,210,469	14,390,286	14,390,286
Listed Investments	13,980	13,980	10,940	10,940
Call Deposits	7,098,439	7,098,439	8,062,686	8,062,686
Notice Deposits	9,927,906	9,927,906	6,284,366	6,284,366
Bank Balances	168,744	168,744	31,134	31,134
Cash Floats and Advances	1,400	1,400	1,160	1,160
Total Financial Assets	73,537,437	73,537,437	60,465,079	60,465,079

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

			2013 R	2012 R
51. FINANCIAL INSTRUMENTS (continued)				
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	18,726,836	18,726,836	23,114,968	23,114,968
Annuity Loans	6,007,941	6,007,941	8,510,509	8,510,509
Finance Lease Liabilities	-	-	-	-
Trade and Other Payables:				
- Payables from Exchange Transactions	9,389,870	9,389,870	11,254,814	11,254,814
- Payables from Non-exchange Transactions	844,342	844,342	1,092,970	1,092,970
- Current Portion of Long-term Liabilities	2,484,682	2,484,682	2,256,675	2,256,675
Measured at Fair Value	6,871,712	6,871,712	5,154,118	5,154,118
Bank Overdraft	6,871,712	6,871,712	5,154,118	5,154,118
Total Financial Liabilities	25,598,548	25,598,548	28,269,086	28,269,086
Total Financial Instruments	47,938,889	47,938,889	32,195,992	32,195,992
Unrecognised Gain / (Loss)		-		-

The Financial Instruments of the municipality have been reclassified as disclosed in Note 42: Change in Accounting Policy.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Class is one level lower than category.

30 June 2013	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Listed Investments	13,980	-	-	13,980
Call Deposits	7,098,439	-	-	7,098,439
Notice Deposits	9,927,906	-	-	9,927,906
Bank Balances	168,744	-	-	168,744
Cash Floats and Advances	1,400	-	-	1,400
Total Financial Assets	17,210,469	-	-	17,210,469
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Bank Overdraft	6,871,712	-	-	6,871,712
Total Financial Liabilities	6,871,712	-	-	6,871,712
Total Financial Instruments	10,338,756	-	-	10,338,756

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

		2013 R	2012 R
51. FINANCIAL INSTRUMENTS (continued)			
30 June 2012			
	Level 1 R	Level 2 R	Level 3 R
			Total R
FINANCIAL ASSETS			
Financial Instruments at Fair Value:			
Listed Investments	10,940	-	-
Call Deposits	8,062,686	-	-
Notice Deposits	6,284,366	-	-
Bank Balances	31,134	-	-
Cash Floats and Advances	1,160	-	-
Total Financial Assets	<u>14,390,286</u>	<u>-</u>	<u>-</u>
FINANCIAL LIABILITIES			
Financial Instruments at Fair Value:			
Bank Overdraft	5,154,118	-	-
Total Financial Liabilities	<u>5,154,118</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>9,236,168</u>	<u>-</u>	<u>-</u>

51.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 22, Cash and Cash Equivalents and Equity, Accumulated Surplus as disclosed in Note 25 and the Statement of Changes in Net Assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 95,00%, reducing 90,00%. This aggressive ratio is as a result of the development challenges faced by the municipality. The rate of borrowing is well below market related rates.

The gearing ratio at the year-end was as follows:

Debt	8,492,623	10,767,184
Cash and Cash Equivalents	6,871,712	5,154,118
Net Debt	<u>15,364,335</u>	<u>15,921,302</u>
Equity	<u>1,035,928,914</u>	<u>1,086,274,559</u>
Net debt to equity ratio	<u>1.48%</u>	<u>1.47%</u>

Debt is defined as Long-term Liabilities, as detailed in Notes 22.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

51.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

51. FINANCIAL INSTRUMENTS (continued)

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

51.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 53.8 to the Annual Financial Statements.

51.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 56.6.2 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

51.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

51.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013	2012
R	R

51. FINANCIAL INSTRUMENTS (continued)

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

51.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

51. FINANCIAL INSTRUMENTS (continued)

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	1,164	1,164
Consumer Debtors	54,364,671	43,565,938
Other Debtors	1,961,133	2,507,690
Bank, Cash and Cash Equivalents	17,196,489	14,379,346
Maximum Credit and Interest Risk Exposure	73,523,457	60,454,139

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	84.45%	82.54%
- Industrial / Commercial	6.27%	10.32%
- National and Provincial Government	8.10%	3.94%
- Other Classes	0.00%	0.01%
Other Debtors:		
- Other not Classified	1.18%	3.19%
Total Credit Risk	100.00%	100.00%

Bank and Cash Balances

ABSA Bank Ltd	10,066,462	6,383,404
First National Bank	2,523	96,720
Nedbank	6,521,164	5,222,226
Standard Bank	604,940	2,675,836
Cash Equivalents	1,400	1,160

Total Bank and Cash Balances	17,196,488	14,379,346
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Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables

Group 1	1,164	1,164
Group 2	-	-
Group 3	-	-

Total Long-term Receivables	1,164	1,164
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Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	46,128,776	38,525,689
Group 2	10,961,376	10,281,867
Group 3	21,560,401	16,749,586

Total Receivables from Exchange Transactions	78,650,553	65,557,142
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EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

51. FINANCIAL INSTRUMENTS (continued)

Receivables from Non-exchange Transactions

Group 1	11,092,762	1,395,111
Group 2	63,337	10,592
Group 3	1,223,978	965,079

Total Receivables from Non-exchange Transactions

12,380,077	2,370,782
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Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

51. FINANCIAL INSTRUMENTS (Continued)

51.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 48 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R	R	R
30 June 2013								
Non-interest Bearing		0.00%	13,467,066	13,467,066	-	-	-	-
- Payables from Exchange transactions	17		9,389,870	9,389,870	-	-	-	-
- Payables from Non-exchange transactions	18		844,342	844,342	-	-	-	-
Variable Interest Rate Instruments		8.08%	13,222,890	8,026,477	1,154,764	2,309,529	1,732,120	-
- ABSA Bank Ltd	21		13,222,890	8,026,477	1,154,764	2,309,529	1,732,120	-
Fixed Interest Rate Instruments			-	-	-	-	-	-
- DBSA (1150 563)	21	10.00%	666,282	111,047	111,047	222,094	222,094	-
- DBSA (1150 566)	21	12.00%	3,000,616	375,077	375,077	750,154	1,500,308	-
			26,689,956	21,493,543	1,154,764	2,309,529	1,732,120	-

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2012	#	%	R	R	R	R	R	R
Non-interest Bearing		0.00%	12,347,784	12,347,784	-	-	-	-
- Payables from Exchange Transactions	17		11,254,814	11,254,814	-	-	-	-
- Payables from Non-exchange Transactions	18		1,092,970	1,092,970	-	-	-	-
			-					
Variable Interest Rate Instruments		8.08%	8,745,837	1,166,112	1,166,112	2,332,223	4,081,390	-
- ABSA Bank Ltd	21		8,745,837	1,166,112	1,166,112	2,332,223	4,081,390	-
Fixed Interest Rate Instruments			4,639,146	486,124	486,124	972,248	2,694,650	-
- DBSA (1150 563)	21	10.00%	888,376	111,047	111,047	222,094	444,188	-
- DBSA (1150 566)	21	12.00%	3,750,770	375,077	375,077	750,154	2,250,462	-
			25,732,767	14,000,020	1,652,236	3,304,471	6,776,040	-

The municipality has access to financing facilities, the total unused amount which is R1 850 000 (2012: R1 850 000), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

51.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

52. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R6 325 945 (2012: R5 310 466) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the investment reserve of the fund amounted to R0 (30 June 2011: R67,977) million, with a funding level of 99,4% (30 June 2011: 98,1%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R(7,980) (30 June 2011: R9 930,837) million, with funding levels of 99,9% and 108,0% (30 June 2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R1 483, 786 381 (30 June 2009: R1 341, 935 205) million. The contribution rate paid by the members (13,75%) and the municipalities (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R7 110,3 (30 June 2009: R6 303,7) million, with funding levels of 96,0% (30 June 2009: 96,0%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SAMWU Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R2 445,9 (30 June 2005: R1 511,5) million, with funding levels of 100,0% (30 June 2009: 100,0%). The contribution rate paid by the members (7,50%) and Council (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

53. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

53.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Freddie M	Councillor	Director of Britstown Small Farmers
Visser I	Mayor	Director of Siyathemba Social Development Projects

53.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Total Charges R
For the Year ended 30 June 2013				
Councillors	25,189	54,723	7,358	87,271
Municipal Manager and Section 57 Personnel	23,640	38,630	8,712	70,981
Total Services	48,829	93,353	16,070	158,252
For the Year ended 30 June 2012				
Councillors	22,999	58,168	2,775	83,942
Municipal Manager and Section 57 Personnel	18,225	34,789	8,017	61,031
Total Services	41,225	92,957	10,792	144,974

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

53.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

53.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

53.5 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
54. CONTINGENT LIABILITIES		
54.1 Court Proceedings:	1,515,739	2,224,373
(i) Cape Joint Pension Fund:	-	2,186,766
<p>During the actuarial valuation performed on the fund, it was found that the interest on the total monies of the Fund was lower than 5.50% for the year ended June 2009.</p> <p>This resulted in Rule 17(5) being enforced by the Fund, resulting in the liability of R2 186 766 for the Municipality, as well as any additional interest to be charged from February 2010.</p> <p>The Municipality however opted to consent to the extension of the prescription period to afford the Fund an opportunity to find an amicable solution.</p> <p>The summons was withdrawn by the Fund, but the Fund reserved the right to claim the deficit from the Municipality.</p>		
(ii) Sigonyeta:	100,000	-
<p>Claim against municipality on behalf of property owners. The total possible claim is estimated to be R100 000. The attorneys are however of the opinion that this matter will not go to court within the following year.</p>		
(iii) Telkom:	60,000	37,607
<p>The Municipality has been summonsed for an amount of R35 568. Should the Municipality lose this matter in court, the total amount to be paid will amount to the R35 568 plus interest at 15.5% per month, calculated from 2012/02/16. The legal costs applicable is estimated to be R20 000.</p>		
(iii) Landfill Sites:	-	-
<p>The Municipality has three active landfill sites. It has been identified that the landfill sites situated in Britstown and Hanover are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).</p> <p>In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.</p> <p>The necessary steps have been taken by the Municipality to obtain the required permits and licenses and the process has been started.</p>		
(iii) Department of Safety and Liaison: Motor Registration Fees	1,355,739	
<p>The Municipality received correspondence from the Department of Safety and Liaison (DSL) informing us that the Municipality owes the DSL outstanding amounts for Motor Registration Fees. The amount that DSL claims that the Municipality owes, amounted to R1 355 739.</p> <p>The Municipality is disputing this claim as it has made regular and continuous payments to the DSL. Motor registration fees were deposited directly into the bank account of DSL.</p> <p>The Chief Financial Officers and delegations of both the EM and DSL met and agree that a proper investigation should be conducted into these claims of outstanding fees.</p> <p>To date the investigation has not taken place and will be conducted before the end of the financial year of DSL. A complete report will be prepared after the investigation has been completed.</p> <p>The amount of R1 355 739 that the DSL claims that the Municipality owes them has therefore not yet been substantiated and the exact amount will only be determined once the investigation has been completed.</p>		

EMTHANJENI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

55. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

56. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

57. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

58. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2013.

59. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 41) and Prior Period Errors (Note 42).

60. NON-COMPLIANCE WITH TO THE MUNICIPAL FINANCE MANAGEMENT ACT

Non Compliance to the following sections of chapters of the MFMA :

Section	Non-compliance
Section 66(c)	<i>The travel, motor car, accommodation, subsistence and other allowances were not reported to the council in the prescribed reports in periods as required.</i>
Section 64(2)(b)	<i>The revenue due has not been calculated on a monthly basis.</i>
Section 71(2)(a)	<i>The reports did not include a projection of the municipality's revenue and expenditure for the rest of the financial year.</i>
Section 9	<i>The relevant Treasury and the Auditor-General were not informed about all the bank accounts held by the Municipality.</i>

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2012	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2013
	R				R	R	R	R
ANNUITY LOANS								
DBSA	1,809,999	10.00%	1150 563	2016/03/31	735,011	-	(157,377)	577,634
DBSA	4,981,693	12.00%	1150 566	2017/03/31	2,840,368	-	(441,960)	2,398,408
ABSA Bank Ltd	9,000,000	9.00%	30 3336 7955	2016/03/31	7,168,201	-	(1,651,621)	5,516,580
Total Annuity Loans	15,791,692				10,743,580	-	(2,250,957)	8,492,623
CAPITAL LEASE LIABILITIES								
Konica Minolta	116,308	6.12%	20161150001	2013/03/31	23,604	-	(23,604)	-
Total Capital Lease Liabilities	116,308				23,604	-	(23,604)	-
TOTAL EXTERNAL LOANS	15,908,000				10,767,184	-	(2,274,561)	8,492,623

ANNUITY LOANS:

DBSA loan (1150 563):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R1 809 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R111 047.

DBSA loan (1150 566):

Structured unsecured 20 year loan for the funding of the De Aar/Nonzwakazi Bulk & Internal Electrical Supply. Original loan capital of R4 981 693 is repayable semi-annually in fixed instalments of capital and fixed rate interest of R375 077.

DBSA:

Structured unsecured 20 year loan for provision of infrastructure. Original loan capital of R585 000 is repayable semi-annually in fixed instalments of capital and fixed rate interest.

ABSA loan (30 3336 7955):

Structured secured 5 year loan for the purchase of vehicles. Original loan capital of R9 000 000 is repayable monthly in fixed instalments of capital and fixed rate interest of R194 352.

CAPITAL LEASE LIABILITIES:

Konica Minolta (20161150001):

Lease liability relates to IT Equipment with lease terms of 5 (2012: 5) years. The effective interest rate on finance leases is between 10,00% and 11,00% (2012: 10,00 to 11,00%). The capitalised lease liability is secured by the equipment leased over the lease term.

Note: The rates of interest payable on the above structured loans and finance leases are based on certain underlying assumptions relating to the lenders' statutory costs and the allowability of deductions by the lenders for income tax purposes in connection with these loans. In the event of changes to, or interpretation of, the Income Tax Act or any other relevant legislation which impact on the loan structure costs, the lenders have the right to increase or decrease the future rates of interest payable on the loans over their remaining lives, in order to absorb the increase or decrease in costs.

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
Land	24,125,235	-	-	-	-	24,125,235	-	-	-	-	-	24,125,235
Building	257,246,873	557,224	502,408	-	-	258,306,505	108,415,860	10,728,973	-	-	119,144,833	139,161,672
	281,372,108	557,224	502,408	-	-	282,431,740	108,415,860	10,728,973	-	-	119,144,833	163,286,907
Infrastructure												
<i>Electricity:</i>												
Electricity Network	217,187,387	-	3,145,499	-	-	220,332,885	122,865,068	8,569,693	-	-	131,434,760	88,898,125
<i>Solid Waste</i>												
Landfill Site	2,683,331	-	-	-	-	2,683,331	96,205	89,211	-	-	185,417	2,497,914
<i>Sanitation:</i>												
Sewer	103,032,039	-	-	-	-	103,032,039	55,713,184	3,061,911	-	-	58,775,095	44,256,945
<i>Storm Water</i>												
Storm Water Network	400,773,696	-	6,803,485	-	-	407,577,181	223,414,394	7,837,944	-	-	231,252,338	176,324,843
<i>Roads:</i>												
Roads Network	813,602,592	123,053	1,388,355	-	-	815,114,001	454,414,857	19,148,365	-	-	473,563,222	341,550,779
<i>Water:</i>												
Water Network	310,319,149	277,787	-	-	-	310,596,937	157,974,264	14,677,472	-	-	172,651,736	137,945,201
	1,847,598,194	400,840	11,337,340	-	-	1,859,336,374	1,014,477,971	53,384,597	-	-	1,067,862,568	791,473,806
Other Assets												
<i>Computer Equipment</i>												
Computer Hardware Including Operating Systems	2,312,281	318,514	-	(37,942)	(22,583)	2,570,270	1,246,901	654,557	(35,071)	(10,837)	1,855,551	714,720
Transport Assets												
Bicycles	2,400	-	-	-	-	2,400	634	288	-	-	922	1,478
Motor Vehicles	3,203,486	280,000	-	(26,301)	-	3,457,185	759,030	552,718	(10,100)	-	1,301,648	2,155,537
Trailers And Accessories	299,690	-	-	(27,800)	-	271,890	66,107	38,834	(13,789)	-	91,152	180,738
Trucks	5,060,306	-	-	-	-	5,060,306	849,560	486,822	-	-	1,336,382	3,723,924
<i>Furniture and Office Equipment:</i>												
Advertising Boards	3,341,148	-	-	-	-	3,341,148	226,910	335,519	-	-	562,429	2,778,718
Air Conditioners Individual Fixed And Movable	328,709	119,363	-	-	-	448,072	119,306	102,578	-	-	221,884	226,189
Domestic And Hostel Furniture	61,825	-	-	-	-	61,825	23,556	5,401	-	-	28,957	32,868
Fixtures & Fittings	515,478	-	-	-	(4,730)	510,748	224,280	92,373	-	(2,980)	313,673	197,076
Office Equipment Including Fax Machines	913,980	7,939	-	(83,667)	-	838,252	433,789	159,733	(55,457)	-	538,065	300,187
Office Furniture	3,385,016	46,169	-	(19,712)	(108,842)	3,302,630	1,548,385	613,776	(18,785)	(48,146)	2,095,231	1,207,399
<i>Machinery and Equipment:</i>												
Audiovisual Equipment	284,048	11,311	-	(6,400)	-	288,959	114,818	51,758	(5,952)	-	160,624	128,335
Domestic Equipment (Non Kitchen Appliances)	121,734	4,839	-	-	(798)	125,775	67,849	30,931	-	(517)	98,262	27,512
Electric Wire And Power Distribution Equipment	127,189	15,178	-	-	-	142,367	57,232	26,494	-	-	83,727	58,640
Fire Arms	29,440	-	-	-	(29,440)	-	13,248	5,299	-	(18,547)	-	-
Fire Fighting Equipment	95,940	-	-	-	-	95,940	48,470	28,501	-	-	76,971	18,969
Gardening Equipment	128,880	17,910	-	-	-	146,790	55,755	36,795	-	-	92,550	54,241

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Kitchen Appliances	154,068	6,096	-	-	-	160,164	72,578	29,150	-	-	101,728	58,436
Laboratory Equipment Agricultural	9,300	-	-	-	-	9,300	3,524	1,674	-	-	5,198	4,103
Laboratory Equipment Medical Testing	5,993	-	-	-	-	5,993	3,623	998	-	-	4,621	1,372
Machines For Textile Production	1,393	-	-	-	-	1,393	501	125	-	-	627	766
Medical And Allied Equipment	31,233	-	-	-	-	31,233	12,017	5,622	-	-	17,639	13,594
Meters Prepaid	34,819	-	-	-	-	34,819	16,831	7,180	-	-	24,011	10,808
Music Instruments	130,000	-	-	-	-	130,000	46,800	11,700	-	-	58,500	71,500
Pumps, Plumbing, Purification, Sanitation And Allied Equipment	614,498	2,500	-	-	-	616,998	287,960	109,318	-	-	397,278	219,720
Radio Equipment	55,681	-	-	-	(5,400)	50,281	25,822	10,969	-	(4,536)	32,255	18,025
Road Construction And Maintenance Equipment	5,133,907	-	-	(21,140)	-	5,112,767	897,180	461,601	(16,172)	-	1,342,609	3,770,157
Security & Access Control Units	129,179	-	-	-	-	129,179	13,905	12,042	-	-	25,947	103,232
Telecommunication Equipment	516,615	18,418	-	-	-	535,033	294,012	153,697	-	-	447,709	87,325
Workshop Equipment And Loose Tools Fixed	96,152	-	-	-	-	96,152	44,124	16,858	-	-	60,982	35,170
Workshop Equipment And Loose Tools Movable	1,102,163	57,103	-	(31,500)	-	1,127,766	548,463	306,919	(27,405)	-	827,977	299,789
	28,226,550	905,341	-	(254,462)	(171,793)	28,705,635	8,123,171	4,350,228	(182,730)	(85,563)	12,205,106	16,500,529
Total	2,157,196,852	1,863,405	11,839,748	(254,462)	(171,793)	2,170,473,750	1,131,017,002	68,463,798	(182,730)	(85,563)	1,199,212,507	971,261,242

ANALYSIS OF INVESTMENT PROPERTY AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Investment Property												
Land	3,100,000	1,904,000				5,004,000						5,004,000
	3,100,000	1,904,000	-	-	-	5,004,000	-	-	-	-	-	5,004,000

ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2013

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Computer Software	1,820,751	63,909	-	-	-	1,884,660	758,406	588,205	-	-	1,346,612	538,049
	1,820,751	63,909	-	-	-	1,884,660	758,406	588,205	-	-	1,346,612	538,049

Total Asset Register	2,162,117,603	3,831,314	11,839,748	(254,462)	(171,793)	2,177,362,410	1,131,775,409	69,052,003	(182,730)	(85,563)	1,200,559,119	974,138,783
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EMTHANJENI LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2012

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	904,047	52,995	-	(26,301)	(1,359)	929,381	290,965	200,910	-10,100	-856	480,920	448,462
Finance and Administration	2,603,891	554,419	-	(33,995)	(97,759)	3,026,556	1,107,254	545,316	-30,511	-31,612	1,590,447	1,436,109
Planning and Development	281,372,108	557,224	502,408	-	-	282,431,740	108,415,860	10,728,973	-	-	119,144,833	163,286,907
Community and Social Services	5,236,464	136,034	-	(57,156)	(37,801)	5,277,541	2,244,375	1,054,899	-53,649	-24,084	3,221,541	2,056,000
Health	150,107	412	-	-	(18,285)	132,234	76,323	27,560	-	-15,102	88,782	43,452
Housing	16,211,495	141,639	-	(126,688)	(14,789)	16,211,657	3,728,418	2,142,075	-79,631	-12,397	5,778,465	10,433,192
Roads and Transport	403,894,242	19,841	6,803,485	(10,322)	(1,800)	410,705,447	224,090,230	8,217,411	-8,839	-1,512	232,297,290	178,408,157
Electricity	1,030,789,979	400,840	3,884,035	-	-	1,035,074,854	577,279,924	27,718,058	-	-	604,997,982	430,076,872
Waste Management	105,715,370	-	-	-	-	105,715,370	55,809,390	3,151,122	-	-	58,960,511	46,754,859
Water	310,319,149	-	649,820	-	-	310,968,969	157,974,264	14,677,472	-	-	172,651,736	138,317,233
Total	2,157,196,852	1,863,405	11,839,748	(254,462)	(171,793)	2,170,473,750	1,131,017,002	68,463,798	(182,730)	(85,563)	1,188,483,534	971,261,242

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

2012 Actual Income	2012 Actual Expenditure	2012 Surplus/ (Deficit)	Description	2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)
R	R	R		R	R	R
5,232,561	(9,363,735)	(4,131,174)	Executive and Council	3,486,937	(18,827,957)	(15,341,020)
30,475,327	(23,549,606)	6,925,721	Finance and Administration	35,730,686	(24,068,694)	11,661,991
4,034,155	(5,640,583)	(1,606,428)	Planning and Development	745,788	(17,171,398)	(16,425,610)
-	(132,669)	(132,669)	Health	-	(79,492)	(79,492)
1,456,461	(4,960,476)	(3,504,015)	Community and Social Services	1,394,429	(5,894,661)	(4,500,232)
244,006	(4,006,883)	(3,762,877)	Housing	1,219,589	(4,842,947)	(3,623,358)
7,165,144	(7,785,624)	(620,480)	Public Safety	8,489,845	(7,041,403)	1,448,441
79,423	(33,001,439)	(32,922,016)	Sport and Recreation	355,071	(3,299,439)	(2,944,368)
-	-	-	Environmental Protection	-	-	-
24,722,347	(20,099,953)	4,622,395	Waste Management	28,208,577	(18,700,069)	9,508,509
618,791	(8,672,055)	(8,053,264)	Roads and Transport	3,628,328	(17,490,973)	(13,862,646)
19,007,830	(32,765,426)	(13,757,596)	Water	29,105,012	(21,999,822)	7,105,190
56,661,717	(54,105,665)	2,556,051	Electricity	52,672,634	(74,675,636)	(22,003,001)
-	(1,478,422)	(1,478,422)	Other	-	(1,290,049)	(1,290,049)
149,697,762	(205,562,535)	(55,864,773)	Total	165,036,896	(215,382,541)	(50,345,645)

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX E1

RECONCILIATION OF TABLE A2 BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

Description	2012/2013											2011/2012			
R thousand	Original Budget	Budget Adjustments	Final adjustments budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue - Standard															
Governance and administration															
Executive and council	2,705	94	2,799	–	–	2,799	3,487	–	688	25%	29%				5,233
Budget and treasury office	36,050	(298)	35,752	–	–	35,752	35,731	–	(21)	0%	-1%				30,475
Community and public safety															
Community and social services	1,113	119	1,232	–	–	1,232	1,394	–	163	13%	25%				1,456
Sport and recreation	86	–	86	–	–	86	355	–	269	314%	314%				79
Public safety	7,354	–	7,354	–	–	7,354	8,490	–	1,136	15%	15%				7,165
Housing	19	–	19	–	–	19	1,220	–	1,200	6285%	6285%				244
Health	1,001	–	1,001	–	–	1,001	–	–	(1,001)	-100%	-100%				–
Economic and environmental services															
Planning and development	18,483	–	18,483	–	–	18,483	746	–	(17,737)	-96%	-96%				4,034
Road transport	658	–	658	–	–	658	3,628	–	2,970	451%	451%				619
Trading services															
Electricity	63,176	(7,092)	56,083	–	–	56,083	52,673	–	(3,411)	-6%	-17%				56,662
Water	20,021	–	20,021	–	–	20,021	29,105	–	9,084	45%	45%				19,008
Waste management	31,134	–	31,134	–	–	31,134	28,209	–	(2,925)	-9%	-9%				24,722
Other	–	–	–	–	–	–	–	–	–	0%	0%				–
Total Revenue - Standard	181,799	(7,177)	174,622	–	–	174,622	165,037	–	(9,585)			–	–	–	149,698
Expenditure - Standard															
Governance and administration															
Executive and council	10,605	(175)	10,430			10,430	18,828	–	8,398	81%	78%				9,364
Budget and treasury office	30,274	(211)	30,063			30,063	24,069	–	(5,994)	-20%	-20%				23,550
Community and public safety															
Community and social services	7,651	(208)	7,443			7,443	5,895	–	(1,548)	-21%	-23%				4,960
Sport and recreation	3,599	–	3,599			3,599	3,299	–	(300)	-8%	-8%				33,001
Public safety	9,123	(450)	8,673			8,673	7,041	–	(1,631)	-19%	-23%				7,786
Housing	2,139	(1)	2,138			2,138	4,843	–	2,705	127%	126%				4,007
Health	217	–	217			217	79	–	(138)	-63%	-63%				133
Economic and environmental services															
Planning and development	6,444	(50)	6,394			6,394	17,171	–	10,777	169%	166%				5,641
Road transport	10,878	–	10,878			10,878	17,491	–	6,613	61%	61%				8,672
Trading services															
Electricity	52,585	1,140	53,725			53,725	74,676	–	20,951	39%	42%				54,106
Water	9,289	(700)	8,589			8,589	22,000	–	13,410	156%	137%				32,765
Waste management	22,810	(2,176)	20,634			20,634	18,700	–	(1,934)	-9%	-18%				20,100
Other	1,967	(110)	1,857			1,857	1,290	–	(567)	-31%	-34%				1,478
Total Expenditure - Standard	167,579	(2,940)	164,639	–	–	164,639	215,383	–	50,743			–	–	–	205,563
Surplus/(Deficit) for the year	14,219	(4,237)	9,982	–	–	9,982	(50,346)	–	(60,328)			–	–	–	(55,865)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E2
RECONCILIATION OF TABLE A3 BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)

Vote Description	2012/2013											2011/2012			
R thousand	Original Budget	Budget Adjustments	Final adjustments budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue by Vote															
Executive and council	2,705	94	2,799	–	–	2,799	3,487	–	688	25%	29%				5,233
Budget and treasury office	36,050	(298)	35,752	–	–	35,752	35,731	–	(21)	0%	-1%				30,475
Community and social services	1,113	119	1,232	–	–	1,232	1,394	–	163	13%	25%				1,456
Sport and recreation	86	–	86	–	–	86	355	–	269	314%	314%				79
Public safety	7,354	–	7,354	–	–	7,354	8,490	–	1,136	15%	15%				7,165
Housing	19	–	19	–	–	19	1,220	–	1,200	6285%	6285%				244
Health	1,001	–	1,001	–	–	1,001	–	–	(1,001)	-100%	-100%				–
Planning and development	18,483	–	18,483	–	–	18,483	746	–	(17,737)	-96%	-96%				4,034
Road transport	658	–	658	–	–	658	3,628	–	2,970	451%	451%				619
Electricity	63,176	(7,092)	56,083	–	–	56,083	52,673	–	(3,411)	-6%	-17%				56,662
Water	20,021	–	20,021	–	–	20,021	29,105	–	9,084	45%	45%				19,008
Waste management	31,134	–	31,134	–	–	31,134	28,209	–	(2,925)	-9%	-9%				24,722
Other	–	–	–	–	–	–	–	–	–	0%	0%				–
Total Revenue by Vote	181,799	(7,177)	174,622	–	–	174,622	165,037	–	(9,585)			–	–	–	149,698
Expenditure by Vote, to be appropriated															
Executive and council	10,605	(175)	10,430	–	–	10,430	18,828	–	8,398	81%	78%				9,364
Budget and treasury office	30,274	(211)	30,063	–	–	30,063	24,069	–	(5,994)	-20%	-20%				23,550
Community and social services	7,651	(208)	7,443	–	–	7,443	5,895	–	(1,548)	-21%	-23%				4,960
Sport and recreation	3,599	–	3,599	–	–	3,599	3,299	–	(300)	-8%	-8%				33,001
Public safety	9,123	(450)	8,673	–	–	8,673	7,041	–	(1,631)	-19%	-23%				7,786
Housing	2,139	(1)	2,138	–	–	2,138	4,843	–	2,705	127%	126%				4,007
Health	217	–	217	–	–	217	79	–	(138)	-63%	-63%				133
Planning and development	6,444	(50)	6,394	–	–	6,394	17,171	–	10,777	169%	166%				5,641
Road transport	10,878	–	10,878	–	–	10,878	17,491	–	6,613	61%	61%				8,672
Electricity	52,585	1,140	53,725	–	–	53,725	74,676	–	20,951	39%	42%				54,106
Water	9,289	(700)	8,589	–	–	8,589	22,000	–	13,410	156%	137%				32,765
Waste management	22,810	(2,176)	20,634	–	–	20,634	18,700	–	(1,934)	-9%	-18%				20,100
Other	1,967	(110)	1,857	–	–	1,857	1,290	–	(567)	-31%	-34%				1,478
Total Expenditure by Vote	167,579	(2,940)	164,639	–	–	164,639	215,383	–	50,743			–	–	–	205,563
Surplus/(Deficit) for the year	14,219	(4,237)	9,982	–	–	9,982	(50,346)	–	(60,328)			–	–	–	(55,865)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E3
RECONCILIATION OF TABLE A4 BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)

Description	2012/2013											2011/2012			
	Original Budget	Budget Adjustments	Final adjustments budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Revenue By Source															
Property rates	18,397	(509)	17,888	—	—	17,888	17,220	—	(668)	-4%	-6%				14,337
Property rates - penalties & collection charges	—	—	—	—	—	—	103	—	103	100%	100%				223
Service charges - electricity revenue	43,767	(4,945)	38,823	—	—	38,823	48,600	—	9,777	25%	11%				46,135
Service charges - water revenue	16,902	—	16,902	—	—	16,902	16,434	—	(469)	-3%	-3%				15,574
Service charges - sanitation revenue	11,991	—	11,991	—	—	11,991	9,421	—	(2,571)	-21%	-21%				8,797
Service charges - refuse revenue	7,182	—	7,182	—	—	7,182	5,323	—	(1,859)	-26%	-26%				4,947
Service charges - other	139	119	258	—	—	258	428	—	170	66%	208%				466
Rental of facilities and equipment	499	—	499	—	—	499	947	—	448	90%	90%				587
Interest earned - external investments	734	211	945	—	—	945	1,595	—	650	69%	117%				585
Interest earned - outstanding debtors	741	—	741	—	—	741	494	—	(247)	-33%	-33%				1,116
Dividends received	—	—	—	—	—	—	—	—	—	0%	0%				—
Fines	7,025	—	7,025	—	—	7,025	4,987	—	(2,039)	-29%	-29%				6,703
Licences and permits	1,160	—	1,160	—	—	1,160	1,261	—	101	9%	9%				1,107
Other Gains on Continued Operations	—	—	—	—	—	—	1,907	—	1,907	100%	100%				43,887
Transfers recognised - operational	39,306	—	39,306	—	—	39,306	54,895	—	15,589	40%	40%				3
Other revenue	17,807	(2,148)	15,659	—	—	15,659	4,241	—	(11,418)	-73%	-76%				5,563
Gains on disposal of PPE	6	94	100	—	—	100	—	—	(100)	-100%	-100%				—
Total Revenue	165,658	(7,177)	158,481	—	—	158,481	167,855	—	9,374			—	—	—	150,031
Expenditure By Type															
Employee related costs	53,434	—	53,434	—	—	53,434	56,440	—	3,006	6%	6%				45,675
Remuneration of councillors	3,503	—	3,503	—	—	3,503	3,694	—	191	5%	5%				3,421
Debt impairment	8,217	(1,224)	6,993	—	—	6,993	6,873	—	(120)	-2%	-16%				16,971
Depreciation & asset impairment	7,924	—	7,924	—	—	7,924	68,925	—	61,001	770%	770%				68,668
Finance charges	1,121	—	1,121	—	—	1,121	1,041	—	(80)	-7%	-7%				1,284
Bulk purchases	38,142	3,298	41,440	—	—	41,440	38,781	—	(2,659)	-6%	2%				34,106
Other materials	11,017	—	11,017	—	—	11,017	12,028	—	1,011	9%	9%				7,920
Contracted services	6,989	(497)	6,493	—	—	6,493	7,257	—	765	12%	4%				8,687
Transfers and grants	12,630	(1,918)	10,712	—	—	10,712	305	—	(10,407)	-97%	-98%				788
Other expenditure	24,602	(1,896)	22,706	—	—	22,706	19,931	—	(2,775)	-12%	-19%				17,982
Inventory Written-off	—	—	—	—	—	—	40	—	40	100%	100%				61
Loss on Sale of Land	—	—	—	—	—	—	2,732	—	2,732	100%	100%				289
Loss on disposal of PPE	—	—	—	—	—	—	86	—	86	0%	0%				45
Total Expenditure	167,579	(2,236)	165,343	—	—	165,343	218,134	—	52,791			—	—	—	205,896
Surplus/(Deficit)	(1,922)	(4,941)	(6,863)	—	—	(6,863)	(50,279)	—	(43,416)			—	—	—	(55,865)
Transfers recognised - capital	16,141	—	16,141	—	—	16,141	—	—	—						
Surplus/(Deficit) for the year	14,219	(4,941)	9,278	—	—	9,278	(50,279)	—	(43,416)			—	—	—	(55,865)

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E4
RECONCILIATION OF TABLE A5 BUDGETED CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Vote Description	2012/2013											2011/2012			
R thousand	Original Budget	Budget Adjustments	Final adjustments budget	Shifting of funds	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Capital expenditure - Vote															
Multi-year expenditure															
Community and social services	508	(208)	300	–	–	300	798	–	498	166%	57%	–	–	–	–
Water	10,178	–	10,178	–	–	10,178	6,911	–	(3,267)	-32%	-32%	–	–	–	1,836
Waste management	5,200	–	5,200	–	–	5,200	–	–	(5,200)	-100%	-100%	–	–	–	183
Capital multi-year expenditure sub-total	15,886	(208)	15,678	–	–	15,678	7,710	–	(7,968)			–	–	–	13,252
Single-year expenditure															
Executive and council	209	–	209	–	–	209	86	–	(123)	-59%	-59%	–	–	–	452
Budget and treasury office	1,683	(60)	1,623	–	–	1,623	432	–	(1,191)	-73%	-74%	–	–	–	597
Community and social services	808	–	808	–	–	808	58	–	(750)	-93%	-93%	–	–	–	211
Sport and recreation	95	–	95	–	–	95	42	–	(53)	-56%	-56%	–	–	–	–
Public safety	470	(50)	420	–	–	420	294	–	(126)	-30%	-37%	–	–	–	–
Housing	–	–	–	–	–	–	2	–	2	100%	100%	–	–	–	3,627
Health	20	–	20	–	–	20	–	–	(20)	-100%	-100%	–	–	–	–
Planning and development	19	–	19	–	–	19	5	–	(14)	-72%	-72%	–	–	–	60
Road transport	3,461	–	3,461	–	–	3,461	1,943	–	(1,519)	-44%	-44%	–	–	–	7
Electricity	800	(388)	412	–	–	412	3,145	–	2,733	663%	293%	–	–	–	172
Water	17	–	17	–	–	17	5	–	(11)	-68%	-68%	–	–	–	39
Waste management	652	–	652	–	–	652	–	–	(652)	-100%	-100%	–	–	–	100
Capital single-year expenditure sub-total	8,234	(498)	7,737	–	–	7,737	6,013	–	(1,724)			–	–	–	5,265
Total Capital Expenditure - Vote	24,120	(706)	23,415	–	–	23,415	13,722	–	(9,692)			–	–	–	18,517
Capital Expenditure - Standard															
Governance and administration															
Executive and council	209	–	209	–	–	209	86	–	(123)	-59%	-59%	–	–	–	452
Budget and treasury office	1,683	(60)	1,623	–	–	1,623	432	–	(1,191)	-73%	-74%	–	–	–	597
Community and public safety															
Community and social services	1,316	(208)	1,108	–	–	1,108	856	–	(252)	-23%	-35%	–	–	–	211
Sport and recreation	95	–	95	–	–	95	42	–	(53)	-56%	-56%	–	–	–	–
Public safety	470	(50)	420	–	–	420	294	–	(126)	-30%	-37%	–	–	–	–
Housing	–	–	–	–	–	–	2	–	2	100%	100%	–	–	–	3,627
Health	20	–	20	–	–	20	–	–	(20)	-100%	-100%	–	–	–	–
Economic and environmental services															
Planning and development	19	–	19	–	–	19	5	–	(14)	-72%	-72%	–	–	–	60
Road transport	3,461	–	3,461	–	–	3,461	1,943	–	(1,519)	-44%	-44%	–	–	–	9,579
Trading services															
Electricity	800	(388)	412	–	–	412	3,145	–	2,733	663%	293%	–	–	–	1,833
Water	10,195	–	10,195	–	–	10,195	6,917	–	(3,278)	-32%	-32%	–	–	–	1,875
Waste management	5,852	–	5,852	–	–	5,852	–	–	(5,852)	-100%	-100%	–	–	–	283
Total Capital Expenditure - Standard	24,120	(706)	23,415	–	–	23,415	13,722	–	(9,692)			–	–	–	18,517
Funded by:															
Grants and subsidies	16,141	–	16,141	–	–	16,141	12,241	–	(3,900)			–	–	–	13,252
Internally generated funds	7,979	–	7,979	–	–	7,979	1,482	–	(6,498)			–	–	–	5,265
Total Capital Funding	24,120	–	24,120	–	–	24,120	13,722	–	(10,398)			–	–	–	18,517

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX E5
RECONCILIATION OF TABLE A7 BUDGETED CASH FLOWS

Description	2012/2013								2011/2012
R thousand	Original Budget	Budget Adjustments	Final adjustments budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	1	2	3	6	7	9	10	11	12
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	119,277	–	119,277	119,277	92,502	(26,775)	-22%	-22%	114,364
Government - operating	38,311	–	38,311	38,311	38,494	183	0%	0%	33,847
Government - capital	16,141	–	16,141	16,141	16,754	613	4%	4%	19,669
Interest	734	–	734	734	1,595	861	117%	117%	585
Dividends	1	–	1	1	–	(1)	-100%	-100%	#REF!
Payments									
Suppliers and employees	(129,788)	–	(129,788)	(129,788)	(130,910)	(1,122)	1%	1%	(141,946)
Finance charges	(1,121)	–	(1,121)	(1,121)	(1,041)	80	-7%	-7%	(1,284)
Transfers and Grants	(12,805)	–	(12,805)	(12,805)	–	12,805	-100%	-100%	–
NET CASH FROM/(USED) OPERATING ACTIVITIES	30,750	–	30,750	30,750	17,394	(13,356)			#REF!
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	65	–	65	65	–	(65)	-100%	-100%	#REF!
Decrease (Increase) in non-current debtors	–	–	–	–	–	–	0%	0%	–
Decrease (increase) other non-current receivables	22	–	22	22	–	(22)	-100%	-100%	42
Decrease (increase) in non-current investments	–	–	–	–	79	79	0%	0%	44
Payments									
Capital assets	(24,085)	–	(24,085)	(24,085)	(13,767)	10,318	-43%	-43%	(19,304)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(23,998)	–	(23,998)	(23,998)	(13,688)	10,310			#REF!
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Short term loans	–	–	–	–	–	–	0%	0%	–
Borrowing long term/refinancing	–	–	–	–	–	–	0%	0%	–
Increase (decrease) in consumer deposits	105	–	105	105	43	(62)	-59%	-59%	71
Payments									
Repayment of borrowing	(2,350)	–	(2,350)	(2,350)	(2,275)	75	-3%	-3%	(2,050)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(2,245)	–	(2,245)	(2,245)	(2,231)	14			(1,979)
NET INCREASE/ (DECREASE) IN CASH HELD	4,507	–	4,507	4,507	1,475	(3,033)	-67%	-67%	#REF!
Cash/cash equivalents at the year begin:	5,951	–	5,951	5,951	9,225	3,275	55%	55%	5,141
Cash/cash equivalents at the year end:	10,458	–	10,458	10,458	10,700	242			#REF!

EMTHANJENI LOCAL MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act	Reason for Non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June				
Equitable Share	Nat Treasury	14,301,000	11,279,000	8,580,000	162,000	14,301,000	11,279,000	8,580,000	162,000	-	N/a	Yes	N/a
Financial Management Grant	Nat Treasury	1,500,000	-	-	-	290,507	295,029	341,109	573,355	-	N/a	Yes	N/a
Municipal Infrastructure Grant	Nat Treasury	3,000,000	7,065,000	6,076,000	-	4,313,236	2,804,692	1,264,642	4,644,703	-	N/a	Yes	N/a
Municipal Systems Improvement Grant	Nat Treasury	800,000	-	-	-	800,000	-	-	-	-	N/a	Yes	N/a
DWAF Grant	DWAF	126,527	823,992	-	-	33,080	334,069	583,369	-	-	N/a	Yes	N/a
Hospital Electricity Grant	Province	-	-	-	-	1,651,517	600,837	1,268,253	65,262	-	N/a	Yes	N/a
Library Grant	Province	-	-	682,000	-	-	-	682,000	-	-	N/a	Yes	N/a
Department of Housing	Province	1,085,814	901,340	3,837,653	-	1,246,484	903,020	1,468,694	1,784,971	-	N/a	Yes	N/a
Housing Accreditation	Province	-	1,090,227	100,000	-	-	1,090,227	100,000	-	-	N/a	Yes	N/a
Nonzwakazi Revitalization Grant	Province	-	-	2,500,000	-	-	-	-	267,271	-	N/a	Yes	N/a
EPWP Incentive Grant	Province	400,000	-	300,000	-	-	83,973	107,953	508,074	-	N/a	Yes	N/a
Phundalwazi Grant	Province	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Fire Fighting Equipment	Other	-	-	-	-	-	-	-	-	-	N/a	Yes	N/a
Total Grants and Subsidies Received		21,213,341	21,159,559	22,075,653	162,000	22,635,824	17,390,847	14,396,020	8,005,635	-			

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor							
Sthonga ST	458,558	-	169,375	24	-	-	627,956
Speaker							
Freddie MM	310,064	-	139,808	59,931	-	-	509,803
Other Councillors							
Kivedo MC	118,483	-	58,576	20,313	-	-	197,372
Jood J	118,483	-	58,576	20,313	-	-	197,372
Jonas VG	118,483	-	58,576	20,313	-	-	197,372
Thomas NS	138,779	-	58,576	18	-	-	197,373
Du Plessis WJ	118,483	-	58,580	20,298	-	-	197,361
Nyl GL	162,223	-	75,207	27,930	-	-	265,360
Nkumbi GL	118,483	-	58,576	20,313	-	-	197,372
Witbooi WA	118,483	-	58,576	20,313	-	-	197,372
Jaftha AF	122,085	-	59,992	20,968	-	-	203,046
Swanepoel B	121,205	-	59,646	20,802	-	-	201,653
Malherbe M	156,219	-	64,998	23,259	-	-	244,476
Rust HJ	176,206	-	53,039	30,448	-	-	259,693
Total for Councillors	2,356,239	-	1,032,100	305,240	-	-	3,693,580
Municipal Manager							
Visser I	610,943	134,211	180,285	109,251	128,578	103,993	1,267,262
Chief Financial Officer							
Manuel MF	575,356	322,774	81,297	102,216	191,760	13,318	1,286,720
Director: Corporate Services							
Diamane EV	428,915	91,132	122,724	119,842	-	17,722	780,335
Director: Technical Services							
Taljaard FD	632,835	94,418	127,589	113,402	93,412	6,253	1,067,910
Total for Senior Managers	2,248,050	642,535	511,895	444,711	413,750	141,287	4,402,227
Total for Management	4,604,289	642,535	1,543,995	749,951	413,750	141,287	8,095,808

EMTHANJENI LOCAL MUNICIPALITY
APPENDIX G
STATEMENT OF REMUNERATION OF MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2013

30 June 2012

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor							
Sthonga ST	426,477	-	158,865	6,284	-	-	591,626
Speaker							
Freddie MM	292,844	-	130,786	58,653	-	-	482,283
Other Councillors							
Kivedo MC	126,718	-	53,637	4,276			184,630
Jood J	111,891	-	53,637	19,087	-	-	184,614
Jonas VG	110,331	-	53,637	20,643	-	-	184,610
Thomas NS	129,605	-	53,637	998	-	-	184,240
Du Plessis WJ	110,331	-	53,637	20,643	-	-	184,610
Nyl GL	151,619	-	69,431	28,037	-	-	249,087
Nkumbi GL	123,746	-	53,637	9,185	-	-	186,568
Witbooi WA	110,331	-	53,637	20,643	-	-	184,610
Jaftha AF	110,331	-	53,637	20,643	-	-	184,610
Swanepoel B	110,331	-	53,637	20,643	-	-	184,610
Malherbe M	110,331	-	53,637	20,643	-	-	184,610
Rust HJ	151,619	-	69,431	28,037	-	-	249,087
Total for Councillors	2,176,503	-	964,878	278,417	-	-	3,419,797
Municipal Manager							
Visser I	466,476	129,888	195,124	76,443	-	132,339	1,000,270
Chief Financial Officer							
Manuel MF	513,792	124,584	128,431	94,029	-	61,388	922,225
Director: Corporate Services							
Diamane EV	335,173	16,000	64,938	93,742	-	10,431	520,284
Director: Technical Services							
Taljaard FD	566,408	80,595	111,999	103,501	-	21,697	884,200
Total for Senior Managers	1,881,849	351,068	500,492	367,715	-	225,854	3,326,978
Total for Management	4,058,352	351,068	1,465,370	646,132	-	225,854	6,746,776